Financial Consumer Agency of Canada

2012–13 ANNUAL REPORT

EMPOWERING CONSUMERS . PROMOTING COMPLIANCE

Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

Canada

INSIDE

About this Report ii

Message from the Commissioner 1

Who We Are 4

Our Programs 12

- Highlights 2012–13 13
- Consumer Information and Development of Financial Skills 14
- Compliance Supervision and Enforcement 26
- Internal Services 32

Research Projects 34

The Numbers 37

Financial Highlights 54

Financial Statements 57

How to Reach Us 88

ABOUT THIS REPORT

This annual report presents the performance results and major initiatives of the Financial Consumer Agency of Canada (FCAC, or the Agency) for the fiscal year April 1, 2012, to March 31, 2013.

Format

This report has been produced in accessible PDF format for viewing online with an Internet connection. It includes interactive elements to make the reading experience more dynamic and engaging. There are numerous links to pages where readers will find additional information and supporting videos, giving more details about FCAC initiatives.

We are always aiming to improve. Please email us at info@fcac-acfc.gc.ca to let us know what you think of this report.

References

In this report, dates such as "2012–13," "2011–12" and "2010–11" all refer to the fiscal year starting on April 1 and ending 12 months later on March 31.

All references to "financial institutions," "financial entities" or "regulated entities" mean those that are federally regulated and are therefore supervised by the Agency.

The term "financial institutions" includes all banks and federally incorporated or registered insurance, trust and loan companies and retail associations.

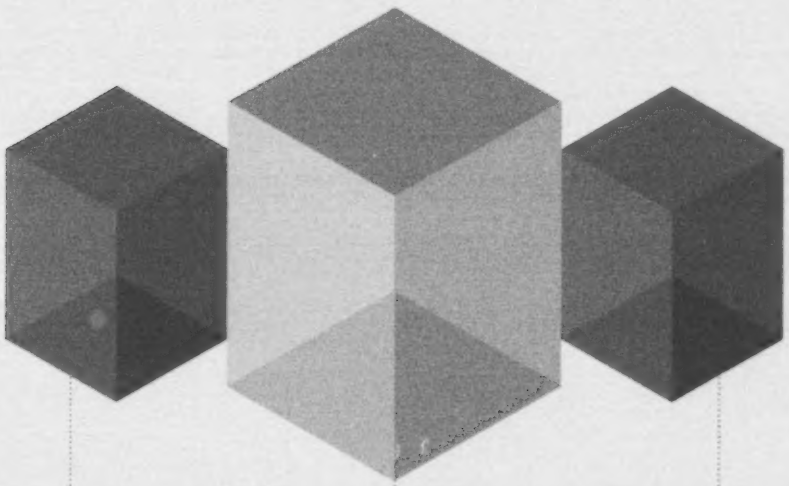
The term "financial entities" includes all federally regulated financial institutions, as well as payment card network operators and other institutions and organizations that fall under FCAC's oversight.

All references to "consumer provisions" mean the various consumer-related laws and regulations that apply to the entities we regulate.

OUR VISION

Empower Canadian financial consumers

Promote responsible financial market conduct



Empowering Canadian financial consumers

More than ever before, it is crucial that Canadians be empowered and engaged in managing their money, exploring the financial marketplace and dealing with financial entities.

Promoting responsible financial market conduct

Ursula Menke, FCAC Commissioner from December 2007 to May 2013

MESSAGE FROM THE COMMISSIONER

"Knowledge is the only meaningful resource today."

These words are from Peter Drucker, management consultant and academic. They come to mind as I reflect on what we have achieved in the five and a half years since I became the head of this small but formidable agency.

Through steady and strategic growth, we have built on the foundations put in place by my predecessor and FCAC's first Commissioner, William G. Knight. We have reached new heights in terms of the Agency's role, reach and impact. Today, FCAC is recognized as a Canadian and global leader in informing and protecting financial consumers.

Our drive to be a proactive and creative force—as regulator, educator and partner—has benefited millions of Canadians and contributed to ongoing improvement of the financial marketplace. I'm very proud of our achievements. Here are a few that stand out for me from the past year and earlier in my term.

Helping Canadians make better financial decisions

One of our priorities is to help Canadians make better financial decisions, starting with youth. Until very recently, most Canadian students made their way through high school without receiving even basic financial lessons. That's why I'm especially gratified that FCAC has helped bring financial literacy—a life skill that is critical in today's economy—into Canadian classrooms.

We launched our finance-related learning program for high school students, *The City*, in 2008. Today, it is approved for use in secondary schools in every province and territory, and is included as part of the curriculum in several jurisdictions. *The City* has been a hit with students and teachers, and registrations have increased from year to year. At the post-secondary level, colleges and universities are using the Agency's *Financial Basics* workshop, introduced in 2010–11, to teach money matters to students.

Alongside these educational programs are initiatives designed to share knowledge with new and wider audiences. For adult learners, for example, we recently launched *Your Financial Toolkit*. In early 2013, we ran our first-ever television advertising campaign. And every year we join with a host of partner organizations to develop programming for Financial Literacy Month.

Our educational efforts will advance further now that the *Financial Literacy Leader Act* (Bill C-28) has come into force. This legislation provides for the appointment of Canada's first Financial Literacy Leader, to be based within FCAC. In collaboration with a variety of stakeholders, this high-profile senior official will spearhead a national strategy to strengthen the financial literacy of Canadians.

With this leadership as well as new resources to support the work, I believe we will see a more coordinated approach and less duplication of efforts on the part of all partners in the public, private and voluntary sectors. Financial literacy is a common goal but no one organization can tackle it alone. The Financial Literacy Leader can be a crucial link connecting partners and stakeholders to help Canadians increase their financial knowledge and decision-making ability.

"Our drive to be a proactive and creative force—as regulator, educator and partner—has benefited millions of Canadians and contributed to ongoing improvement of the financial marketplace."

Improving Canada's financial marketplace for consumers

During my time with FCAC, the Agency has evolved and improved as a regulator, contributing to more effective consumer protection. For instance:

- We shifted our supervisory process from complaint-based to risk-based activities. This has allowed us to better identify, prioritize and mitigate risks arising from the rapidly changing financial sector.

- We have enhanced communications and relationships with financial institutions, with the aim of helping them to embed strong consumer protection practices into their business models and marketing activities. For example, last year we issued guidance for the industry on the Code of Conduct for the Credit and Debit Card Industry in Canada. The purpose was to improve industry disclosure to merchants about their obligations.

Another important development was the founding of FCAC's Research Division in 2011, deepening the Agency's insights and capabilities. During the past year, the research team studied topics such as mobile payments, banking fees, and the possible correlation between numeracy, literacy and financial literacy. The team also assessed program effectiveness.

Moving forward

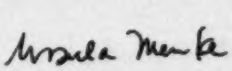
As Commissioner, I have had the opportunity to meet many wonderful people. I want to thank all who have contributed to FCAC's growth and achievements: dedicated staff and colleagues, members of the financial industry, not-for-profit organizations, academics, and other stakeholders, and service providers. Your knowledge and collaboration have helped us fulfill our vision of empowering Canadian financial consumers and promoting responsible financial market conduct.

Our work will continue on the compliance front to ensure that all institutions consistently respect the rights and best interests of consumers. Another challenge is building financially literate communities. FCAC and numerous stakeholders have laid the groundwork, and the government is implementing the recommendations of the Task Force on Financial Literacy. This gives me confidence that Canada is on the right path.

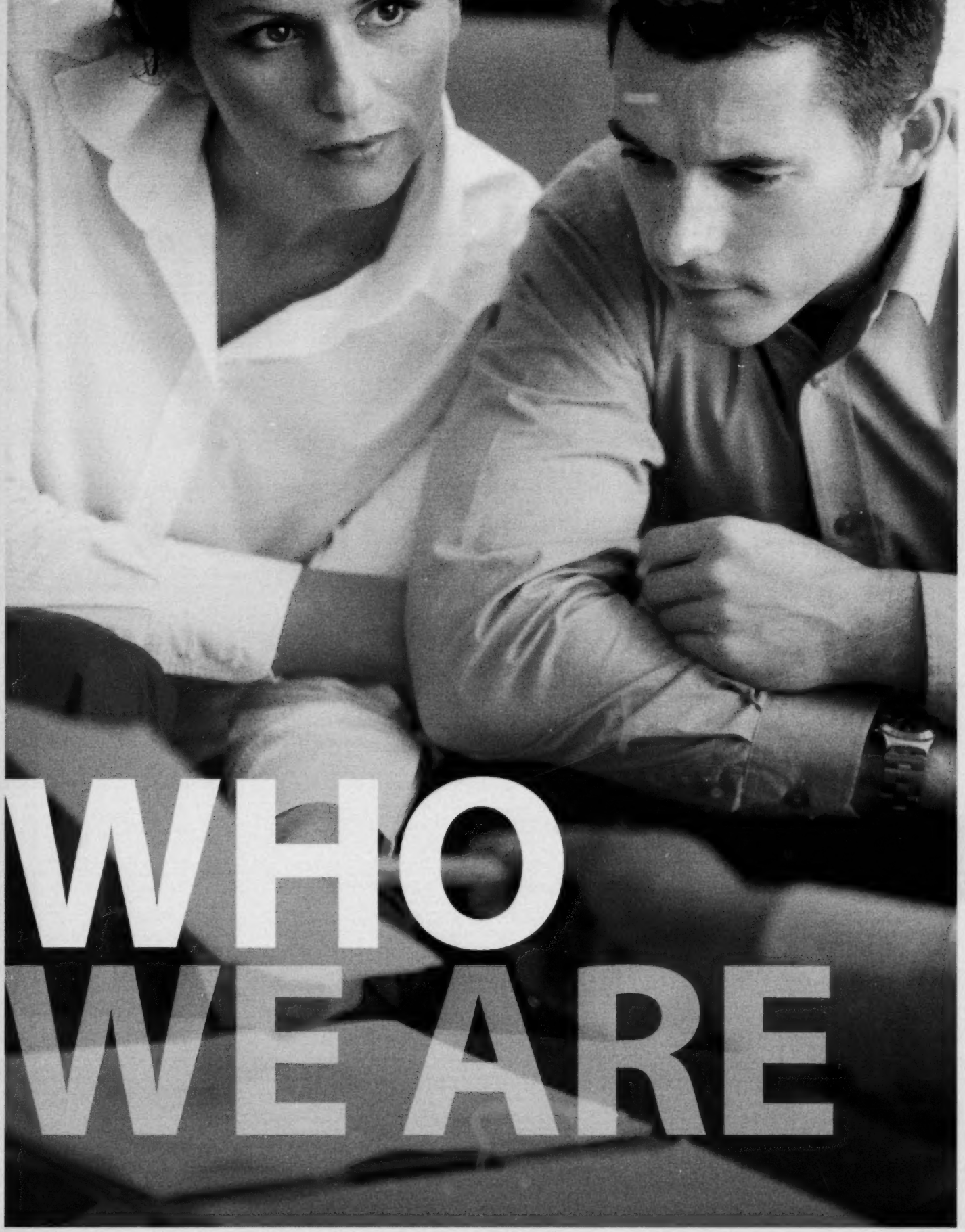
It's an ambitious task, but equipping Canadians with financial knowledge—a truly vital and meaningful resource for them in modern society—is worth every ounce of our energy. Knowledgeable citizens aren't just better decision makers, they're also a strong impetus for competitive discipline in the financial sector.

"Knowledgeable citizens aren't just better decision makers, they're also a strong impetus for competitive discipline in the financial sector."

In closing, I would like to express my best wishes to the new Commissioner. This is an exceptional organization with a very bright future. Its rich legacy is yours to strengthen.



Ursula Menke


WHO
WE ARE

WHO WE ARE

FCAC is a leading source of objective financial information for Canadians. We also ensure that federally regulated financial institutions meet their obligations to consumers.

Our Role and Mandate

Established in 2001, FCAC is a federal government body with a dual mandate: **education** and **compliance**.

Under our education mandate, we offer and promote consumer information about financial products, services and issues. We also help Canadians of all ages build their financial skills. Our education mandate expanded in March 2013, when the *Financial Literacy Leader Act* (Bill C-28) came into force. The Act established the position of Financial Literacy Leader within FCAC to provide national leadership in strengthening the financial literacy of Canadians and to collaborate with stakeholders in support of this effort.

Under our compliance mandate and in our capacity as regulator, we oversee consumer protection measures in the federally regulated financial sector.

Related Links

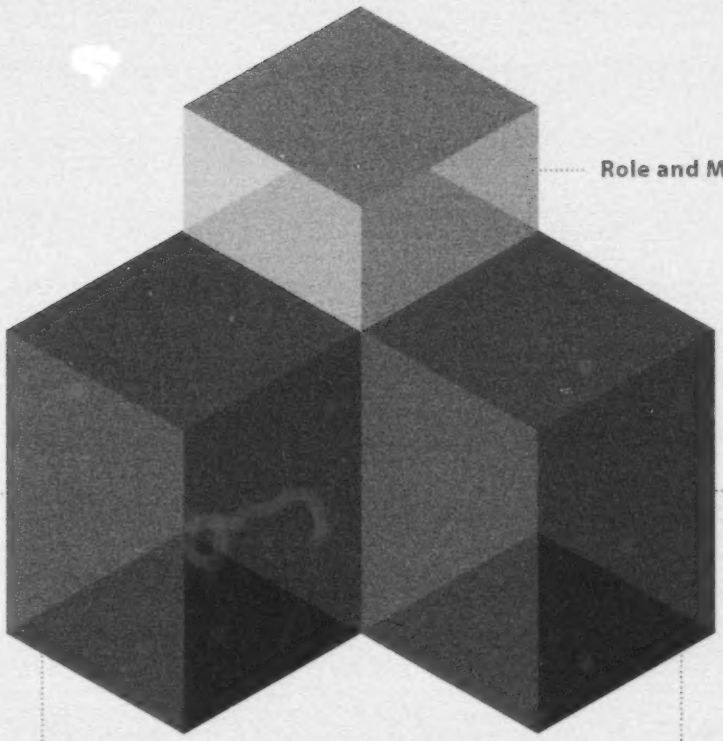
This report:

- Consumer Information and Development of Financial Skills
- Compliance Supervision and Enforcement
- Internal Services

FCAC website:

- Our mandate
- FCAC history
- Strategic and business plans

Role and Mandate



Promote:

- public awareness of the obligations of financial institutions and payment card network operators to consumers and merchants
- awareness of all matters related to financial consumer protection.

In collaboration and cooperation with other organizations and stakeholders:

- foster consumer understanding of financial services and related issues
- strengthen the financial literacy of Canadians.

Supervise financial institutions and payment card network operators to ensure that they comply with applicable federal consumer laws, voluntary codes of conduct and public commitments.

Promote adoption of consumer-centred compliance measures.

Our Organizational Structure

The **Executive Division** includes the Commissioner, the Deputy Commissioner and support staff. It sets FCAC's strategies and priorities, provides leadership and direction, and determines compliance enforcement measures.

The **Legal Services Division** consists of one senior counsel from the Department of Justice Canada, who provides legal research, advice and support.

The **Consumer Information and Development of Financial Skills Division** develops and offers educational materials, tools and programs to help Canadians of all ages understand money matters and build their financial skills. The division partners with other organizations in the public, private and not-for-profit sectors to disseminate FCAC resources as well as to highlight financial literacy initiatives available across Canada.

The **Compliance Supervision and Enforcement Division** handles the Agency's compliance activities. These include monitoring and investigating compliance issues, undertaking annual and on-site examinations, performing industry reviews of specific compliance issues, and reporting compliance matters to the Commissioner. In addition, the division assists financial entities in their efforts to correct contraventions, and encourages them to develop policies and procedures to implement the consumer provisions, voluntary codes of conduct and public commitments that apply to them.

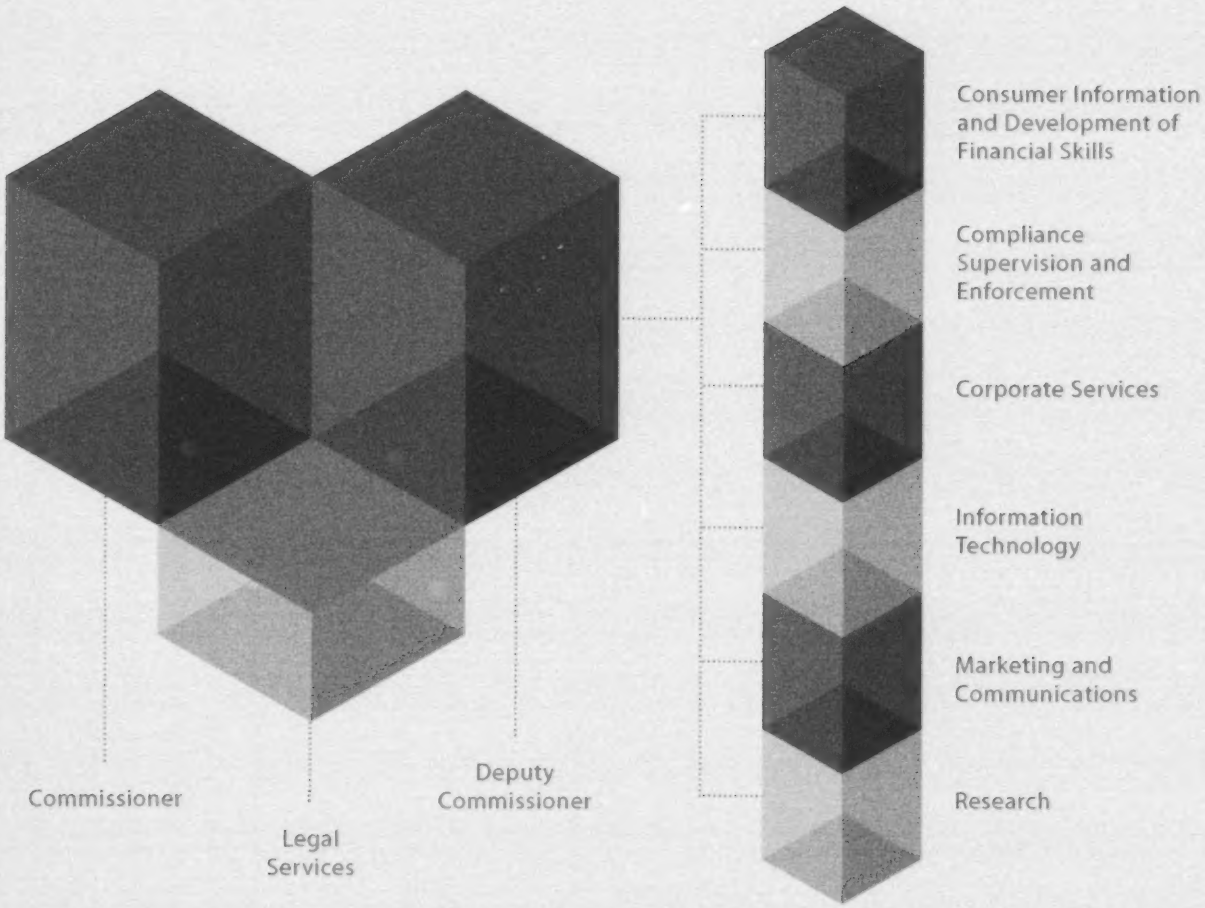
The **Corporate Services Division** supports the Agency's activities by providing services and expertise in various areas, including corporate planning, financial and risk management, security, and program evaluation.

The **Information Technology (IT) Division** handles all FCAC's technology needs, including computer and network programming, providing everyday technical support to staff, managing the Agency's websites, and developing online interactive tools.

The **Marketing and Communications Division** manages FCAC's outreach programs, promotional activities (for instance, advertising and marketing campaigns) and public communications channels, including the Agency's Consumer Services Centre and website. The division also handles communications with the media (traditional and social platforms), publication design, and information exchanges with the financial industry on issues of mutual concern.

The **Research Division** identifies, monitors and evaluates trends and emerging issues related to financial consumers, for the purpose of informing policy and program development and addressing the concerns of Canadians. The division supports the work of other branches within FCAC and participates in broader knowledge exchange at the international level.

Organizational Structure



Resources and Expenditures

Human Resources (Full-time equivalents)		
Fiscal year	Planned	Actual
2012–13	75.1	75.1
2011–12	69.6	69.6
2010–11	59.6	59.6

Financial Resources ($ millions)		
Fiscal year	Planned	Actual
2012–13	13.64	13.26
2011–12	13.01	12.15
2010–11	12.12	11.66

The Human Resources table compares planned full-time equivalents with actual employees as at March 31, 2013.

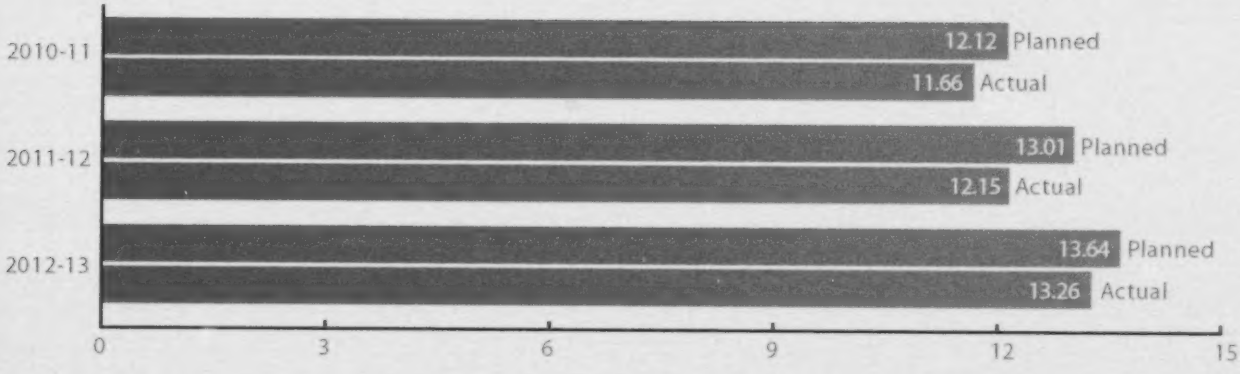
The Financial Resources table compares actual and planned spending over the past three years. It includes funding of $2 million for FCAC's Financial Literacy program. In its February 2008 budget, the Government of Canada announced ongoing funding of $2 million per fiscal year as continuous support for the program.

Overall actual expenditures were higher in 2012–13 than in 2011–12 partially due to an increase in human resource costs to staff vacant and new positions, as well as increases in compensation pursuant to terms and conditions of employment. The increase in 2012–13 is also a result of costs incurred to start to bring the Agency's website in compliance with Treasury Board Secretariat new directives on accessibility standards in line with a holistic content management solution, and for the development and implementation of new applications. Expenditures related to these initiatives will span a multi-year period. The printing of consumer publications is also the cause of the increase, however to a lesser extent. In order to reduce its printing and publishing expenditures, the Agency is continuing its efforts to encourage consumers and partners to visit its Web site and download the material directly, if they are able to do so.

Actual expenses were lower than the planned budget in fiscal year 2012–13 mainly due to human resources costs, which were lower than expected by about $238K due to timing issues in the recruitment of staff. The variance between actual and planned expenses is also due to delays in the delivery of professional services and information technology consulting expenses.

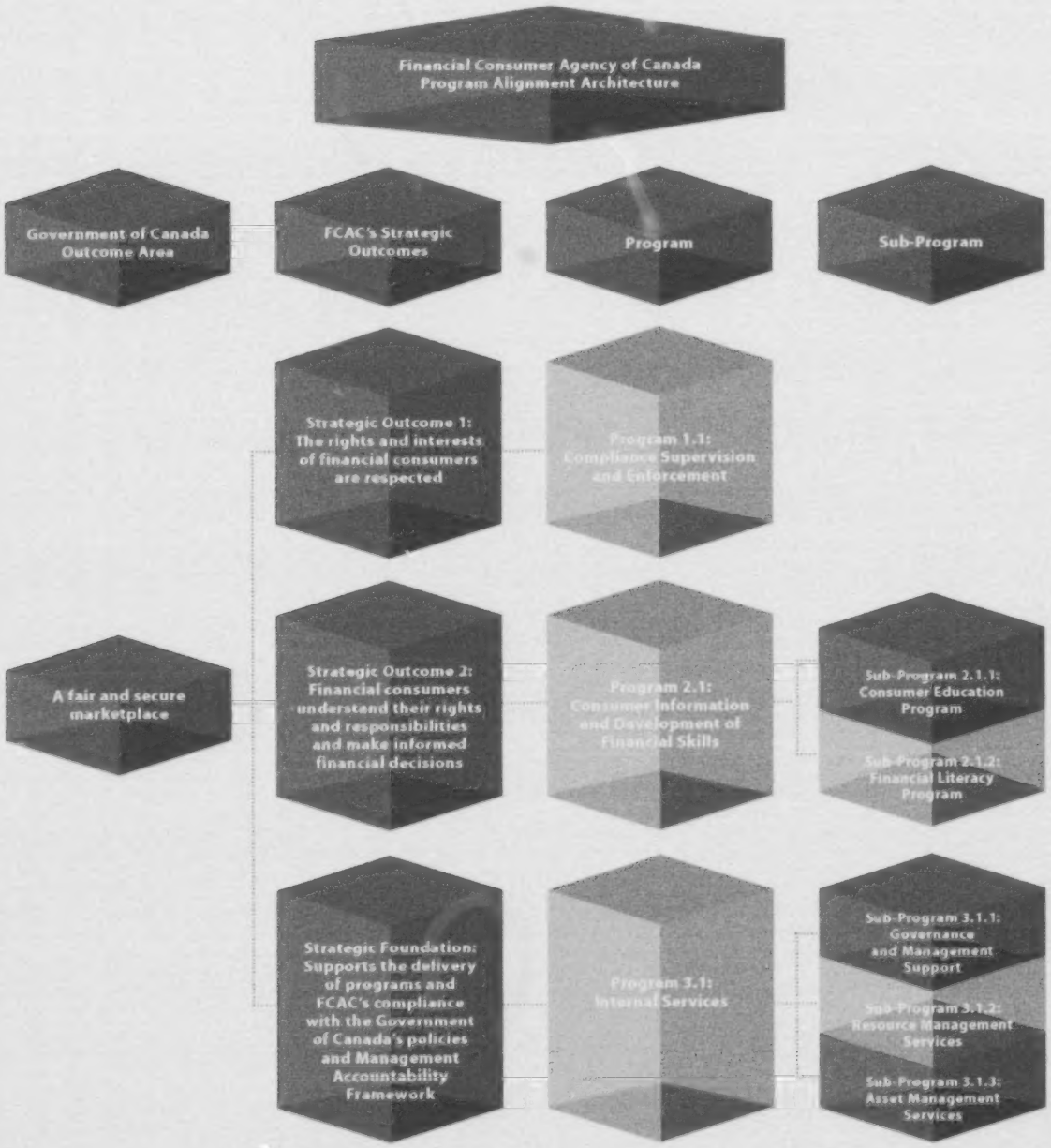
For further information on FCAC's expenditures in 2012–13, please see the Financial Statements.

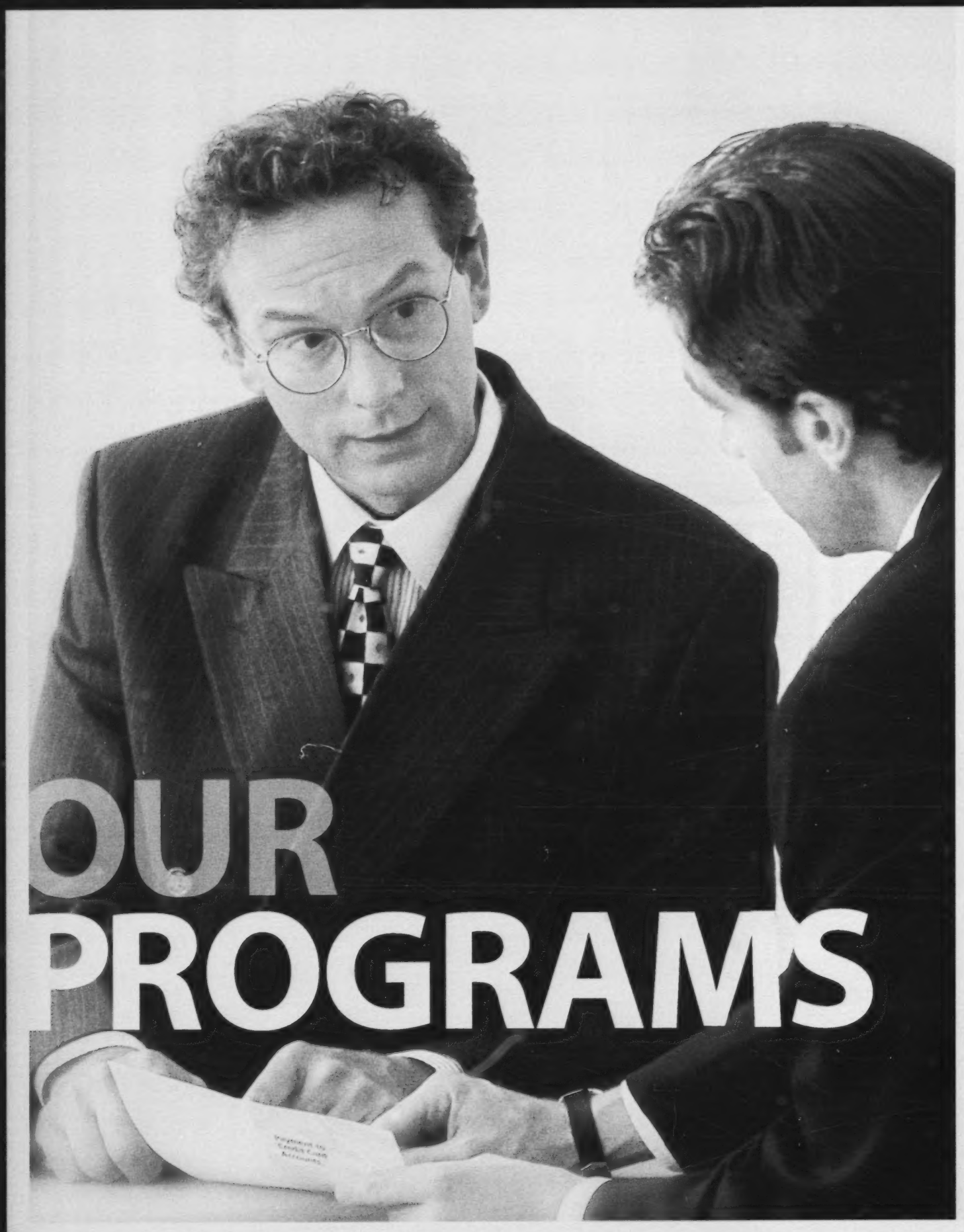
Spending Trend ($ millions)



Program Alignment Architecture

The following diagram illustrates FCAC's framework of programs and sub-programs. This structure allows us to effectively pursue our mandate and strategic outcomes, while contributing to the Government of Canada's objective of fostering a fair and secure marketplace.


Financial Consumer Agency of Canada Program Alignment Architecture
Government of Canada Outcome Area
FCAC's Strategic Outcomes
Program
Sub-Program
A fair and secure marketplace
Strategic Outcome 1: The rights and interests of financial consumers are respected
Program 1.1: Compliance Supervision and Enforcement
Strategic Outcome 2: Financial consumers understand their rights and responsibilities and make informed financial decisions
Program 2.1: Consumer Information and Development of Financial Skills
Sub-Program 2.1.1: Consumer Education Program
Sub-Program 2.1.2: Financial Literacy Program
Strategic Foundation: Supports the delivery of programs and FCAC's compliance with the Government of Canada's policies and Management Accountability Framework
Program 3.1: Internal Services
Sub-Program 3.1.1: Governance and Management Support
Sub-Program 3.1.2: Resource Management Services
Sub-Program 3.1.3: Asset Management Services


OUR
PROGRAMS

OUR PROGRAMS

Highlights 2012–13

1,258 media mentions in Canadian publications and news sites, up 58% from 2011–12, generating 44.5 million impressions

18,500 videos viewed on our YouTube channels

3,600 followers on Twitter and over 8 million users reached in the past two years

1.5 million consumer publications distributed in electronic and print formats

4.16/5 average consumer satisfaction rating of FCAC materials

407 entities regulated to ensure compliance with federal laws and industry commitments protecting financial consumers

1,526 cases investigated for potential or actual compliance violations

57 different organizations participated in the second annual Financial Literacy Month led by FCAC, with 265 educational activities offered to Canadians

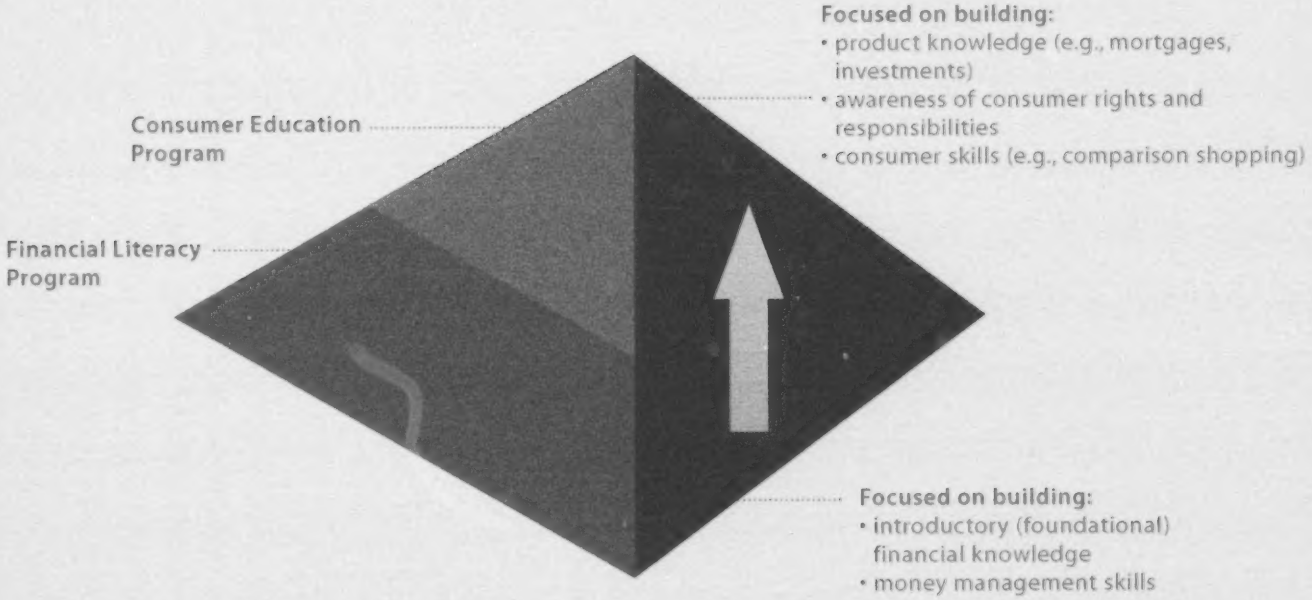
12,438 inquiries and complaints answered by our Consumer Services Centre (telephone calls, emails and letters) on a variety of financial issues

1.3 million Web visits, a jump of 109% from the previous year, with an average of 3,673 visits per day

Consumer Information and Development of Financial Skills

Empowering Canadian financial consumers

FCAC believes that financial knowledge, skills and confidence are key factors for empowering and engaging Canadians in the marketplace. That belief drives the work we do through our Consumer Education and Financial Literacy programs.


Focused on building:
• product knowledge (e.g., mortgages, investments)
• awareness of consumer rights and responsibilities
• consumer skills (e.g., comparison shopping)
Consumer Education Program
Financial Literacy Program
Focused on building:
• introductory (foundational) financial knowledge
• money management skills

1. Consumer Education

FCAC offers educational materials and interactive tools to help Canadians understand the financial products and services they use every day. We also familiarize consumers with their rights and responsibilities when dealing with financial institutions.

Our consumer education activities include:

- developing and distributing information in print and online formats (more than 60 FCAC resources on a multitude of financial topics, from mortgages, credit and loans to fraud prevention)
- collaborating with public, private and not-for-profit organizations across the country to reach as many Canadians as possible, while also targeting specific groups (such as consumers with lower literacy and income levels)
- building solid relationships with the media, enabling us to share financial information quickly and cost-effectively
- maintaining our Consumer Services Centre, with a team that responds to Canadians' questions about financial products, services and issues.

Performance

During 2012–13, we continued to expand, enhance and promote FCAC's suite of consumer education resources to serve the needs of Canadians (see "Major Initiatives"). We are pleased that use of these resources grew considerably last year, helping more Canadians better understand the financial marketplace as they considered choices on banking, credit cards, insurance and other products.

- Visits to our website doubled to 1.3 million, or an average of 3,101 visitors per day. This was up by 109 percent from the previous year.
- More than 1.5 million consumer publications were accessed by and distributed to various audiences. There was a 17 percent year-over-year decrease in print publications distributed (450,728), but this was more than offset by a 147 percent rise in electronic publications downloaded (1,091,438).

Related Links

This report:

- Performance summary—Consumer Education

FCAC website:

- For consumers
- Your rights and responsibilities

Most popular FCAC publications*
1. Understanding your credit report and credit score
2. Making a budget and sticking to it
3. Buying and Maintaining a Home: Planning your housing budget

* Based on print requests and downloads in 2012–13.

Further information

For more detailed results, please see the performance summary on page 43.

Our focus is on providing relevant information, using clear language and a reader-friendly presentation. This has helped us maintain a high level of consumer satisfaction with respect to our resources. The average satisfaction rating for our publications was 4.16 out of 5, up from 4.09 in 2011–12 and exceeding our target of 3.5.

Major Initiatives

Life Events educational series

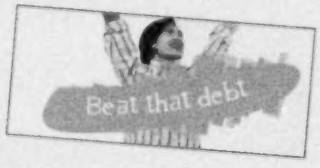
Introduced in 2011, our online Life Events series supports consumers by focusing on important milestones in life. During the past year, we added content for parents (*Having Children* and *Teaching Children About Money*) and a comprehensive guide for both students and parents (*Paying for Post-Secondary Education*). We also developed content for three other events, which will be released in mid-2013: *Losing Your Job, Getting Divorced or Separated,* and *Living in Retirement*.

Tip sheets and publications

FCAC published information for consumers in response to regulatory developments and topical issues in the marketplace. We created materials to help consumers learn about their rights under two new regulations and an industry code that came into effect during 2012–13:

- the *Access to Funds Regulations* (tip sheet and Web content)
- the *Negative Option Billing Regulations* (Web content)
- the voluntary Code of Conduct for Federally Regulated Financial Institutions on Mortgage Prepayment (publication and Web content).

To address rising debt levels in Canada, we introduced a debt check-up tip sheet. This helps consumers consider and prepare for a possible rise in interest rates. We also produced new tip sheets on how to order a credit report and how to protect it.



We updated FCAC's most popular publication, Understanding Your Credit Report and Credit Score, as well as the Tax-Free Savings Account tip sheet and the guide on Credit Card Balance Insurance.

Interactive tools

We revamped the Credit Card Selector Tool, allowing participating financial institutions to update their own credit card information at any time. We also updated the Banking Package Selector Tool and the Savings Account Selector Tool so that they provide consumers with current information to help them comparison-shop for banking services.

Online videos

FCAC produced several "tip clips" presenting financial matters to Canadians. These are posted on our YouTube channel and our "It Pays to Know" website. The short videos include Cool Moves to Protect Yourself from Fraud, Your Right to Cash GoC Cheques for Free and Credit Cards: The Rules of the Road.

FCAC produced tip clips like this one on consumer rights.

Community outreach

To raise awareness of the Agency and its work, we participated in 205 outreach initiatives across Canada. For example:

- The Commissioner and Deputy Commissioner spoke at 15 industry or stakeholder conferences.
- In exhibits at 14 trade shows, we promoted FCAC's mortgage and debt management toolkits.
- We distributed 43 insert kits to parliamentarians, containing consumer information that they could include in mailings to their constituents.
- The Commissioner and other senior FCAC representatives took part in 11 business development meetings with potential partners to explore collaboration opportunities.

Advertising campaigns

FCAC's first-ever television advertising campaign aired in the Maritime provinces in early 2013. The purpose was to educate consumers about new credit card rules that strengthen their rights. The eight-week campaign featured two 15-second commercials on broadcast television. These generated 20,292 contacts to FCAC, exceeding our target by 50 percent. We also ran a Google AdWords campaign to drive traffic to FCAC's website and increase Canadians' awareness of the Agency. The initiative exceeded our target by 150 percent. It generated 96,207 Web visits, representing 12.5 percent of all site visits during the campaign period.

Benefits to Canadians

In 2012–13, FCAC's Consumer Education Program produced significant benefits:

- Canadians from all walks of life were able to access free financial information through a variety of channels.
- More Canadians learned about their rights and responsibilities, and became better equipped to make informed financial decisions.
- Consumers and partners successfully engaged with FCAC through social media tools, our interactive website and our Consumer Services Centre. The results were stronger relationships, more open communications, quicker dissemination of information, and easier sharing of FCAC tips and messages.
- FCAC helped foster a more transparent, fair and secure financial services marketplace for Canadians.

Success stories

To meet real people who improved their financial lives using FCAC tools and publications, visit our online video gallery.

Media communications essential to reaching Canadians

As a small agency, FCAC looks to the media as the most cost-effective way for us to inform Canadians and publicize our work. In 2012–13, FCAC continued to use traditional ways of reaching the media, such as press releases, byline articles, feature stories, letters to the editor, and radio, television and print interviews. We capitalized on two themed events—Fraud Prevention Month in March and Financial Literacy Month in November—to target communications activities on the media and consumers with an interest in these topics.

Through these combined efforts, we succeeded in obtaining substantial exposure from coast to coast: 1,258 media mentions, an increase of 58 percent over the previous year. This coverage generated 44.5 million impressions in Canadian publications and news sites, alerting millions of Canadians to pressing financial issues and to the fact that FCAC is there to help them. The most covered stories related to financial literacy, loans and credit cards. FCAC articles, issued via News Canada, were published 162 times, with a reach of 9.8 million people.

We also made extensive use of social media to engage with Canadians. For example, in the past two years FCAC posted 2,198 tweets and gained over 3,600 followers on Twitter. Our audience reach through Twitter surpassed 8 million users. In 2012–13 we posted 51 videos on FCAC's YouTube channel, and these were viewed more than 21,000 times. In addition, we launched LinkedIn and Facebook pages for the Agency in February 2013.

FCAC in the news

Phone and Web fraudsters getting more sophisticated

Four money chores that pay off

Our government has made financial literacy a priority

FCAC recommends shopping around for financial services

Watchdog says retailers misled on credit, debit card payments

New mortgage rules

Estimate retirement spending

Teaching financial basics to kids has never been easier

Recognize and report scams to help stop the fraudsters

Watchdog has her work cut out for her

Cool, new financial tool

Case made for financial literacy

Related Links

This report:

- Performance summary—Financial Literacy

FCAC website:

- Educational programs
- For educators and facilitators

II. FINANCIAL LITERACY

Canadians face an increasingly complex financial world. At the same time, they have to manage their financial planning—a responsibility that is greater than ever today.

Our goal is to strengthen the financial literacy of Canadians by giving them the knowledge, skills and confidence that they need to make responsible financial decisions and take charge of their financial well-being. To achieve this, FCAC is working on multiple fronts.

First, we offer three educational programs free of charge to educators and facilitators:

- *The City: A Financial Life Skills Resource* is an 11-module learning program for young people of high school age. Developed with the British Columbia Securities Commission, *The City* is designed to help teachers bring financial literacy to life in classrooms across Canada.
- *Financial Basics* is a money management workshop for Canadians aged 19 to 29. It was created with the Investor Education Fund in collaboration with financial author Ellen Roseman. The materials can be used by post-secondary institutions, community organizations and workplaces.
- *Your Financial Toolkit* is a learning resource for adult learners. It was developed with the Autorité des marchés financiers du Québec and the Investor Education Fund. It covers basic financial topics that most Canadians deal with.

We also offer free training for educators and facilitators who want to improve their ability to use and deliver these three FCAC programs.

In addition, we have multi-sector partnerships with other providers of financial education. These help us extend our reach in communities across Canada, while leveraging each provider's capabilities for greater impact.

Further information

For more detailed results, please see the performance summary on page 46.

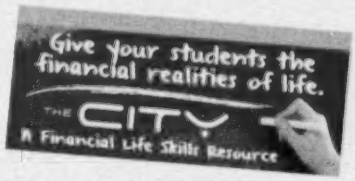
Performance

During 2012–13, we undertook many outreach and partnership initiatives to promote our financial literacy agenda, with positive results. In our flagship program for youth, *The City*, individual student registrations grew by 3 percent and class registrations increased by 7 percent. There was a considerable rise in requests for *Financial Basics* workshop material. Our new *Your Financial Toolkit* attracted 81,463 Web visits, and 3,550 print modules were distributed in the first six months.

Major Initiatives

The City

Since launching *The City* in September 2008, we have been working to increase the use of this resource for youth within the Canadian school system and community organizations. These efforts continued in 2012–13:



- FCAC's Commissioner travelled across the country to meet with officials from provincial education ministries, securities commissions and other organizations. The Commissioner advocated for increasing financial education within schools and using *The City* as a complementary resource.
- For interested teachers, we delivered training and provided tools for bringing *The City* into classrooms. We also undertook email and direct mail campaigns to inform teachers about *The City*. In the direct mail campaign, we distributed promotional materials to 2,700 secondary schools, including a USB key with success story videos.
- FCAC continued to promote *The City* through our collaboration with the Canadian Bankers Association (CBA). CBA members visited classrooms nationwide to deliver the *Your Money* seminar, a joint CBA–FCAC initiative on money management. During the seminar, they highlighted *The City* as a follow-up support resource. From September 1, 2012, to April 30, 2013, 192 seminars reached 5,856 students.
- We hosted a contest encouraging youth to enrol in *The City*. Participants had to complete four of the program modules and a follow-up quiz. The three winners each received a laptop computer.

Learn more about *The City* in this video.

Registrations for *The City*®			
	2012–13	2011–12	Since inception (Sept. 2008)
Teachers	1,276	1,356	9,084
Students	15,697	15,291	65,904
TOTAL	16,973	16,647	74,988

* Online version. Totals are as of year-end (March 31).

Your Financial Toolkit

After two years of extensive development with a consultative committee of subject matter experts, in September 2012 FCAC created a financial education resource called *Your Financial Toolkit*. Available online and in print format, it targets adult learners and covers budgeting, saving and financial planning. FCAC is promoting the resource for use in community organizations, educational institutions and workplaces.

Learn more about *Your Financial Toolkit* in this video.

Financial Basics

We expanded our collaboration with community organizations to encourage wider use of FCAC's *Financial Basics* materials in workshops for young adults. The materials include a presenter's manual and a participant's handbook. During 2012–13, we updated the materials and made them available online as downloadable PDF files. FCAC also began working with Ryerson University to create a series of eight e-learning videos based on *Financial Basics*. One of the videos provides presentation tips and guidance for facilitators. The final e-learning videos will be available on FCAC's website in March 2014.

Financial Basics Materials Distributed*

	2012–13	2011–12	Since inception (Sept. 2008)
Participant's handbooks	17,369	15,061	48,580
Presenter's manuals	2,289	1,751	5,917

* Distributed in response to requests from post-secondary institutions, and community and private-sector organizations. Totals are as of year-end (March 31).

Northern Aboriginal initiative

As part of a three-year pilot project with the Canadian Co-operative Association and Arctic Co-operatives Limited, in 2012–13 FCAC developed and delivered 10 financial literacy workshops to 85 participants in Aboriginal communities in Nunavut. The workshops covered the topics of banking and budgeting. The training was well received. We will continue to work with our partners to deliver workshops to other northern communities.

Financial Literacy Month

Held in November 2012, Canada's second Financial Literacy Month was a great success. In all, 57 organizations across the country offered 265 financial education activities, ranging from workshops to conferences. FCAC led the initiative and teamed up with several groups to organize the event. Social media proved very effective in engaging partners, the media and the public. FCAC's Twitter accounts gained close to 600 followers during the month and our audience on Facebook more than doubled. For the first time last year, FCAC organized a national contest inviting youth to create a short video on the theme "How I am saving for...." The winning videos are posted on FCAC's YouTube Channel.

Benefits to Canadians

In 2012–13, FCAC's Financial Literacy Program produced the following benefits:

- Teachers in high schools, post-secondary institutions and community organizations across Canada were able to access free, bilingual, easy-to-use resources for integration into their curricula and use with their students/members.
- Youth and adults across the country were able to access free, easy-to-understand learning resources on money management and financial issues.
- FCAC helped more Canadians increase their financial knowledge, skills and confidence, and grasp the importance of sound money management.

Related Links

This report:

- Performance summary—Compliance Supervision and Enforcement

FCAC website:

- Who we regulate
- Laws, regulations and other obligations

Compliance Supervision and Enforcement

Promoting responsible financial market conduct

FCAC monitors and enforces compliance with laws, regulations and other initiatives designed to protect financial consumers. These measures ensure that federally regulated financial institutions (FRFIs):

- provide the information needed by consumers to make sound decisions about their financial affairs
- meet a high standard in their business practices affecting their customers.

Activities include:

- monitoring and investigating compliance issues at an industry-wide level, as well as at the level of individual financial entities, using a risk-based approach
- undertaking annual and on-site examinations
- engaging with FRFIs to promote greater compliance in the marketplace, and encouraging them to develop effective internal policies and practices focused on implementing consumer-centred compliance measures
- monitoring the industry's adherence to its voluntary codes of conduct and public commitments
- engaging with other regulators within the Canadian financial services sector on key compliance matters, and providing input to the federal government on regulatory initiatives that affect financial consumers.

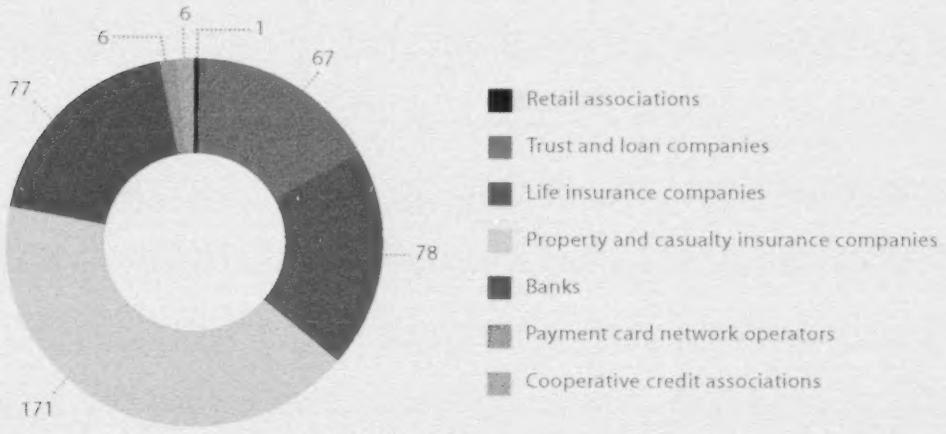
Performance

During 2012–13, we continued to proactively supervise the conduct of financial entities, holding them accountable for complying with both regulatory and industry consumer protection measures.

Top Compliance Issues, 2012–13

	Cases opened
Credit cards	93
Account fees	83
Refusal to open account	63

FCAC supervised 407 federally regulated financial institutions as of March 31, 2013



Through enhanced supervisory efforts and stronger industry communications (see "Major Initiatives"), FCAC was successful in influencing a number of FRFIs to adopt behavioural changes that led to significant improvements in overall compliance. The top issues concerned compliance with financial consumer protection laws related to credit cards and account fees; we worked effectively with entities to identify and resolve these issues. The Commissioner issued five violations and imposed related penalties of $275,000.

In carrying out supervisory activities, during 2012–13 we met most of our performance targets within established time frames.

Further information

For more detailed results, please see the performance summary on page 49.

Major Initiatives

Payment card network operators—strengthening oversight and communications

FCAC continued to enhance its supervision of and communications with payment card network operators in Canada. In our work of monitoring compliance with the Code of Conduct for the Credit and Debit Card Industry in Canada, we identified three major issues:

- inappropriate sales and business practices
- disclosure to merchants in multiple-provider agreements
- multiple contract cancellation penalties, costs or fees.

Compliance Summary

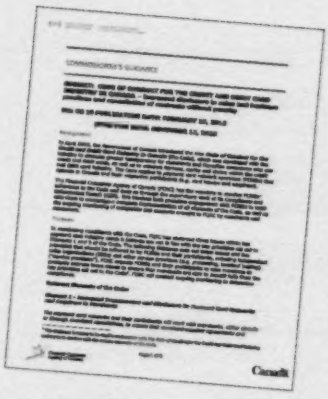
	2012–13	2011–12	2010–11
Compliance cases opened	937	1,112	641
Cases investigated for potential or actual compliance violations[1]	1,526	1,268	660
Violations noted	5	3	36
Compliance agreements entered into with regulated entities[2]	5	3	12
Action plans accepted from regulated entities[3]	15	9	19

[1] Compliance violations are breaches of laws, regulations, voluntary codes or public commitments.

[2] A compliance agreement is a legislated compliance tool. It is a formal agreement between the FCAC Commissioner and senior management of a regulated institution, setting out detailed corrective measures that the institution must undertake to comply with the applicable consumer provisions within a specified time frame. A financial institution's failure to fully implement a compliance agreement may lead to enforcement action by FCAC.

[3] FCAC's Compliance Supervision and Enforcement Division may require a regulated institution to develop an action plan that provides information on the cause of non-compliance and the measures that the institution plans to undertake to correct the issue and prevent its recurrence.

Through Commissioner's Guidance, we addressed these issues to help network operators, merchants, card issuers and acquirers better understand their obligations under the code. FCAC led an effective consultation process with key stakeholders to develop the guidance.



Support for complaint resolution procedures in the banking sector

In Budget 2010, the federal government committed to strengthening the dispute resolution framework for the Canadian banking sector by creating pro-consumer standards required for institutions' internal complaint procedures. In 2012, the government enacted a new framework for the approval and monitoring of external complaint bodies. To support the government's initiative and provide clarity to stakeholders, FCAC developed two documents:

- The *Commissioner's Guidance—Internal Dispute Resolution* (CG-12) establishes the minimum standards required for institutions' internal complaint procedures.
- The *Application Guide for External Complaint Bodies* (CG-13) provides information on how to become an external complaint body for the banking sector.

FCAC undertook a public consultation and received feedback from a wide variety of stakeholders, helping us to refine and strengthen the documents. We published both in April 2013. They will come into force in September 2013.

Industry review of clear language practices

FCAC reviewed the current state of clear language disclosure practices with FRFIs. As part of this work, we analyzed the extent to which FRFIs had incorporated the five principles of clear language (as detailed in the Commissioner's Guidance CG-3) into their policies and procedures for developing consumer disclosure documents. In a majority of cases, we found that the policies and procedures of FRFIs required significant improvement and strengthening. In some cases, we found a complete absence of policies and procedures. In 2013–14, FCAC will undertake follow-up action with the FRFIs concerned.

Enhancing communications with FRFIs

FCAC continued to improve communications with individual FRFIs, with the aim of helping to ensure open, two-way dialogue that enables the timely and effective flow of information in support of our compliance program. We issued Commissioner's Guidance on several topics, including mortgage prepayment penalty disclosure (CG-9), compliance by payment card network operators (CG-10, previously discussed) and branch closure meeting rules (CG-11). We also made significant progress in modernizing our database of key compliance contacts within FRFIs.

Monitoring compliance with new regulatory requirements

FCAC continued its compliance initiative with FRFIs to assess their overall implementation of and compliance with several new regulatory requirements set out in the *Access to Funds Regulations* and the *Negative Option Billing Regulations*, which came into force on August 1, 2012. Through this initiative, FCAC has been able to identify systemic procedural and material compliance gaps, and to address them more proactively with the FRFIs concerned.

Improving risk assessment

We continued to enhance our Risk Assessment Model (RAM), an internal tool that helps FCAC identify, define, assess and weigh financial institutions' risks related to compliance with the various financial consumer protection laws and initiatives. We reviewed the results from our second run of RAM reports, pinpointed changes to improve accuracy and usefulness, and made necessary improvements to our RAM database. We carried out this work in coordination with our contractor, Deloitte, which provided expertise on the RAM development process and potential refinements.

Updating internal processes

To ensure efficient and timely performance of our supervisory functions, we improved several internal processes during 2012–13:

- We updated FCAC's information-gathering matrix, which helps us collect data and focus on compliance trends.
- We enhanced the efficiency of our approach to investigating compliance cases.
- We refined our procedures to apply appropriate compliance measures.

Benefits to Canadians

In 2012–13, FCAC's Compliance Supervision and Enforcement Program generated the following benefits:

- Through compliance and enforcement actions, FCAC influenced financial entities to adopt behavioural changes that significantly improved their overall compliance.
- By promoting strong and proactive communications with financial entities before new regulatory or code requirements came into force, FCAC helped prevent the occurrence of potential compliance issues and any resulting negative impacts on financial consumers.
- By issuing guidance to the industry on various compliance matters, FCAC enhanced financial entities' understanding about how to implement new laws, regulations, and industry codes of conduct and public commitments.
- By proactively reviewing how financial institutions implemented clear language requirements, FCAC sought to improve the clarity of information provided to consumers so that they might better understand product information as well as their rights and responsibilities.
- With our case management process and ongoing enhancements to it, FCAC helped ensure that consumer complaints were addressed and that key systemic compliance issues were identified and resolved with the financial entities concerned.
- Through our work with the government and other regulators on legislative and regulatory initiatives, FCAC helped ensure that Canada continues to have a robust and evolving regulatory framework, which protects financial consumers and fosters greater competition in the marketplace.

Related Links

This report:

- Performance summary—Internal Services

Further information

For more detailed results, please see the performance summary on page 51.

Internal Services functions:

- corporate planning and reporting
- performance measurement and evaluation
- risk management
- audit services
- financial management
- human resources management
- data management
- information technology and Web services
- security and privacy
- facilities management
- procurement

Internal Services

Supporting the effective administration and efficient delivery of the Agency's programs

Internal Services ensures that FCAC adopts and applies best practices to manage its programs, finances and human resources, and that it implements the appropriate policies, procedures and reporting structure.

Performance

In 2012–13, Internal Services successfully met its targets related to organizational compliance. There were no findings of non-compliance raised in independent audits and reviews related to Government of Canada policies applicable to FCAC. There were also no significant gaps in FCAC's adherence to the federal government's *Policy on Internal Control*.

Major Initiatives

Corporate risk profile

FCAC continued to update its risk management framework and risk registries tools for each program and supporting division. The information was consolidated and used to update the Agency's risk profile. It provided invaluable input for the development of FCAC's Internal Audit Plan.

Policy on Internal Control

FCAC is subject to the Treasury Board of Canada Secretariat's *Policy on Internal Control*, which is designed to ensure that risks related to the stewardship of public resources are adequately managed through effective in-house accounting and financial controls. To foster strong compliance with this policy, we continued to assess the design and operating effectiveness of our process for preparing quarterly and year-end financial statements. We also monitored action plans pursuant to previous assessments completed for entity-level controls (those pertaining to the entire organization) and transaction-level controls.

Evaluation

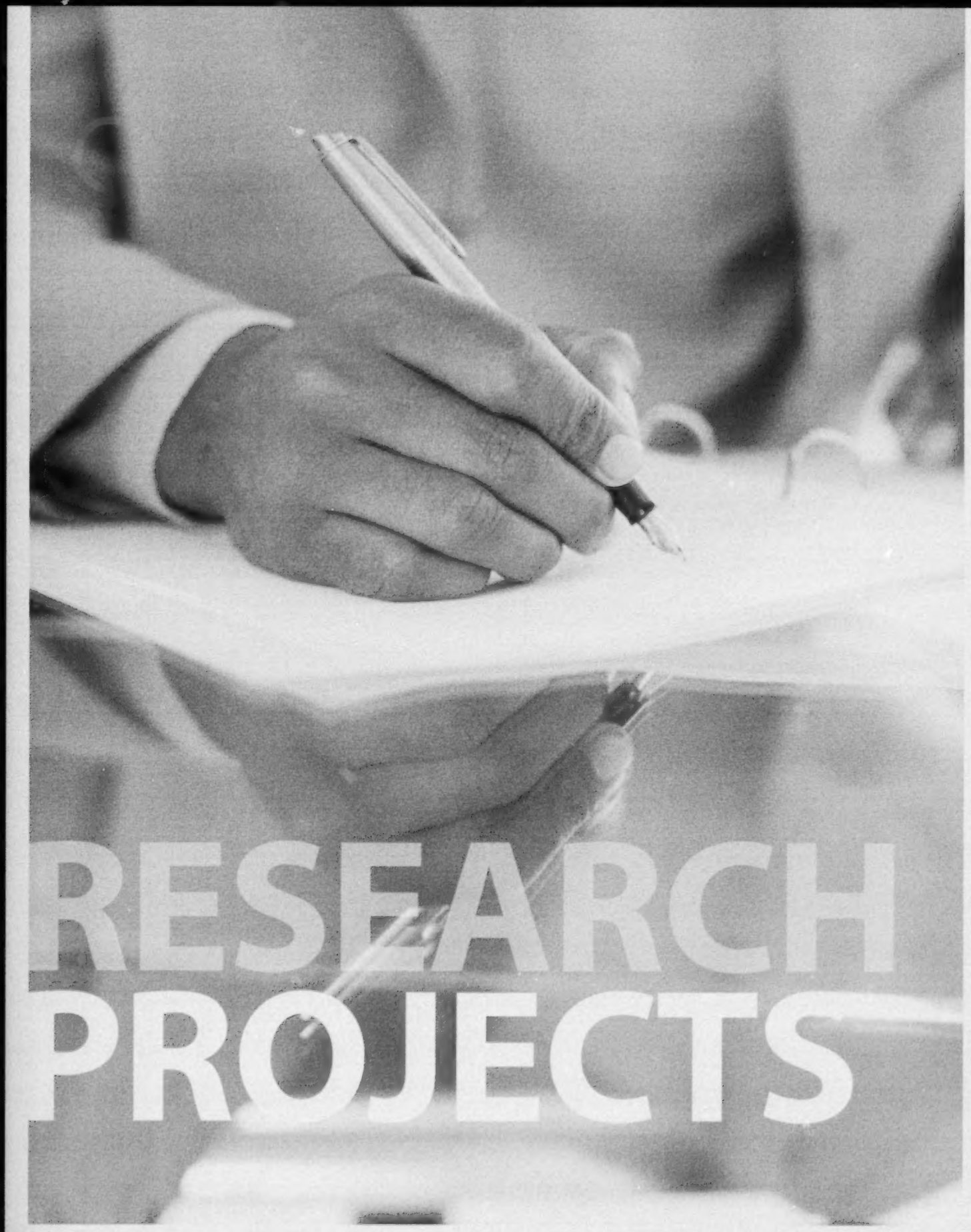
FCAC completed its first program evaluation exercise. The goal was to provide the Agency with strategic, objective, evidence-based information on the progress of its Financial Literacy Program. A report of the findings will be available online in fall 2013.

Information technology strategy

In 2012–13, FCAC centralized its information technology and Web services to form a new IT Division. The Agency had grown to a point where it was necessary to ensure that its technology needs were being addressed in a strategic, reliable and cost-effective manner. We also embarked on a multi-phase IT renewal program. Highlights of the phases initiated in 2012–13 included revamping FCAC's public website with enhanced tools to deliver a superior end-user experience in line with Government of Canada standards, and developing a new Web Content Management System. Subsequent phases will focus on case and correspondence management, business intelligence and analysis, and document and record management.

Benefits to Canadians

In 2012–13, Internal Services contributed to FCAC's progress toward all of its strategic outcomes, priorities and activities by enabling the Agency's programs to operate more effectively and efficiently.


RESEARCH
PROJECTS

RESEARCH PROJECTS

Timely research helps FCAC keep track of emerging trends and issues. It also informs program and policy development relevant to financial consumers.

FCAC's Research Division conducts original research and leverages pertinent external studies to explore topical issues concerning financial consumers. We also examine ways in which the Agency, as well as the Government of Canada, can better inform and protect consumers of financial services and products.

Key Research Projects in 2012–13

Outcome evaluation framework
FCAC's research team developed and initiated testing of a comprehensive evaluation framework. The objective was to measure the role played by financial education, and particularly by FCAC programs, in any identified changes in behaviour or attitude toward money matters.

To test the proposed evaluation framework, we conducted a pilot project using our *Financial Basics* program. FCAC engaged with several organizations—including Social and Enterprise Development Innovation, Option consommateurs, the University of Winnipeg, the University of Toronto, Ryerson University and Credit Counselling Canada—to facilitate 75 *Financial Basics* workshops across Canada. These were held between October 2012 and March 2013, and involved 1,200 participants. The results of the outcome evaluation project will be available in fall 2013. They will help the Agency to validate and fine-tune the evaluation framework before applying it across all FCAC programs, as well as making it available to partners and stakeholders.

Mobile payments

Mobile payments are being introduced into the Canadian marketplace and are evolving very rapidly. FCAC's Research Division examined the extent to which the current Canadian regulatory framework protects mobile payment users. The research report will be published in 2013–14, and will help to inform the development of federal consumer protection policies.

Banking fees

The Division also undertook a comprehensive study of banking fees. Among other things, we examined how banking fees have changed over time, whether low-cost accounts still meet the banking needs of the consumers for whom they were designed, and to what extent consumers can control the banking fees they pay. This project will assist FCAC in informing federal government policy on the evolution of retail banking fees. It will also allow the Agency to strengthen its consumer education tools. The report will be published in 2013.

Correlation between numeracy, literacy and financial literacy

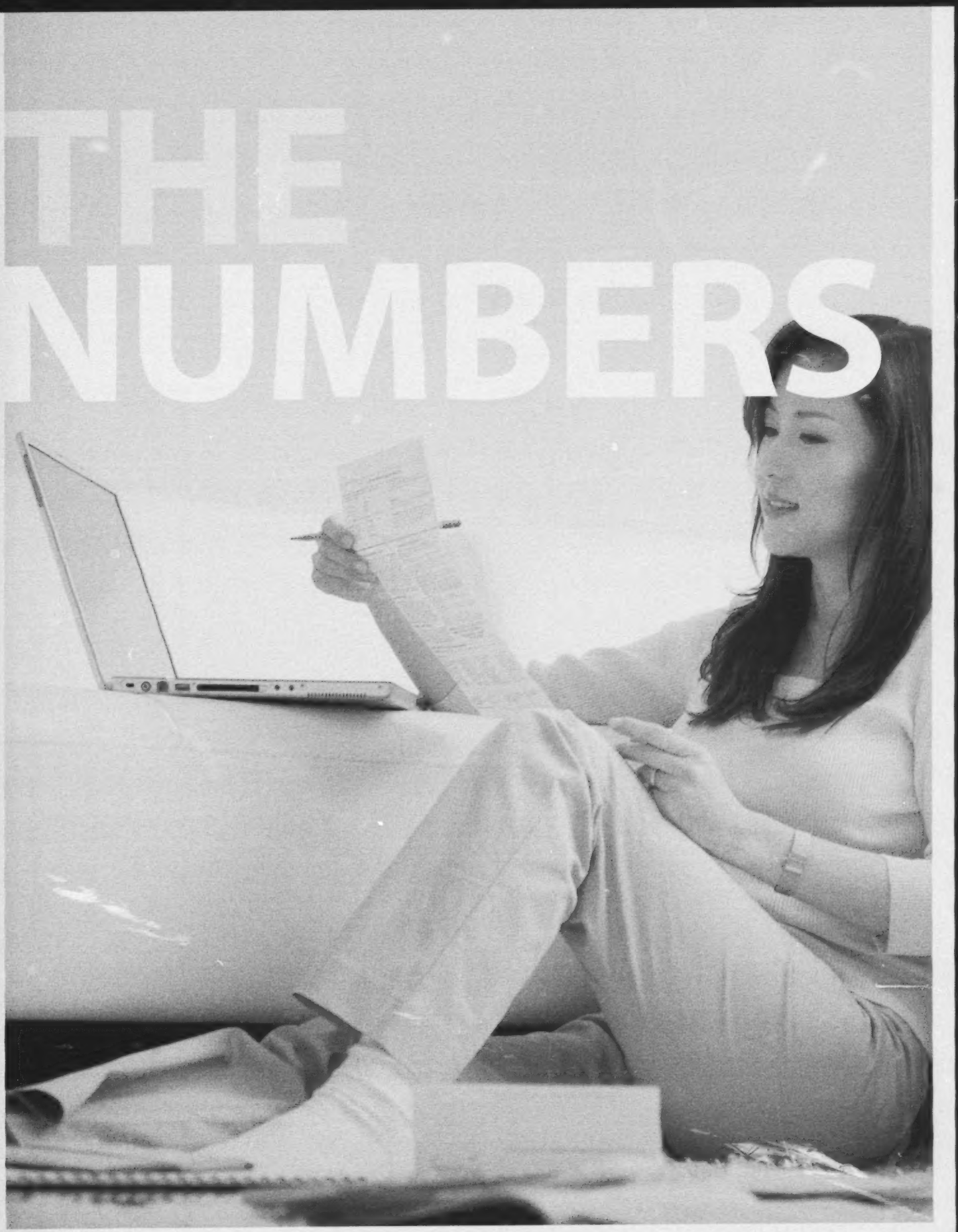
FCAC has joined with the Social Research and Demonstration Corporation to investigate the possible correlation between numeracy and document use (that is, literacy) and levels of financial literacy. The study seeks to determine whether the delivery of numeracy and literacy skills training in the workplace has a significant impact on the financial capability of participants. If the research finds a substantial correlation, we will then attempt to measure its importance.

Gap analysis of financial literacy resources

FCAC completed a gap analysis of financial literacy resources available to Canadian youth under the age of 15. The results have informed FCAC's strategy for filling the gaps and effectively reaching out to that age group.

Our research team also played a leadership role in securing Canada's participation in the financial literacy component of the 2015 Program for International Student Assessment, conducted by the Organization for Economic Cooperation and Development. This work will provide a baseline measure of financial literacy among 15-year-olds in Canada.

THE NUMBERS



THE NUMBERS

General Consumer Complaints Not Related to Compliance

(excludes general inquiries and compliance cases)

Nature of complaints	Number of complaints		
	2012–13	2011–12	2010–11
Credit	357	249	237
Credit cards	914	814	922
Deposit accounts	1154	896	779
FCAC	28	15	13
Financial institutions or other companies	736	538	414
Financial literacy	10	4	7
Insurance	206	189	273
Investments	373	282	273
Lines of credit	132	100	75
Loans	194	151	173
Mortgages	454	333	374
Payday loans	37	35	21
Publications	12	2	3
Referrals to other departments or organizations	936	707	794
Miscellaneous	91	95	47
Total	**5,634**	4,410	4,405

Compliance-Related Consumer and Merchant Complaints

(excludes complaints by federally regulated financial institutions and compliance issues raised by FCAC)

Nature of complaints	Number of complaints		
Consumer provisions	2012–13	2011–12	2010–11
Branch closures	8	1	5
Cheques	8	3	9
Coercive tied selling	2	3	1
Complaint-handling procedures	18	15	11
Compliance of affiliate	0	0	1
Cost of borrowing—general	48	2	0
Cost of borrowing—credit cards	0	92	66
Cost of borrowing—lines of credit	7	8	9
Cost of borrowing—loans	3	11	3
Cost of borrowing—mortgages	15	35	29
Credit business practices	5	20	11
Deposit accounts	31	40	19
Deposit-type instruments	0	1	N/A
Disclosure of charges for services	0	0	0
Disclosure of interest rates	0	1	1
Failure to inform how to reach FCAC	0	0	0
Index-linked deposit accounts	0	0	0
Principal protected notes	0	0	0
Public accountability statements	4	0	1
Registered products	3	1	N/A

(continued)

Nature of complaints	Number of complaints		
Codes of conduct	2012–13	2011–12	2010–11
Authorized insurance activities	13	26	11
Credit and debit card code	187*	75*	12
Debit card code	14	32	10
Protection for e-commerce	0	0	0
Small Business Banking Code	1	0	2
Public commitments			
Accessibility of complaint-handling process	1	0	1
Agreement to offer low-cost accounts	0	0	0
Credit cards—general	0	0	0
Guidelines for the transfer of registered plans	3	13	5
Hold period on cheques	1	0	0
Interac	0	0	0
Mortgage plain language	0	0	0
Online security	0	1	1
Undertaking on unsolicited services	0	8	1
Visa E-promise	0	1	1
Zero-liability credit cards	16	20	12
Zero-liability prepaid cards	0	0	0
General	0	0	0
Total	**388**	409	222

* Significant year-over-year increases were due to the fact that FCAC assumed a regulatory role for monitoring adherence to the Code of Conduct for the Credit and Debit Card Industry in Canada, which was enacted in 2010.

N/A = not applicable because FCAC was not responsible for oversight of this area at the time.

Internal Audits and Evaluation

Name	Type	Subject area	Status	Completion date
Formative evaluation	Evaluation	Financial Literacy Program	Approval of report pending	May 2013

Green Procurement

Area of performance	Performance measure	Target	Performance summary
Training for procurement and materiel management staff and acquisition cardholders	Percentage of procurement and materiel management employees and acquisition cardholders with formal green procurement training (e.g., online Green Procurement course C215 of the Canada School of Public Service)	100%, by end of fiscal year 2012–13	100%. All procurement and materiel management staff and acquisition cardholders have completed formal Green Procurement training (course C215 of the Canada School of Public Service).
Performance evaluations	Environmental considerations will be included in the performance evaluations of the Manager, Administrative Services and the procurement functional specialists	100%, as of April 1, 2011	100%. Environmental considerations were included in the 2012–13 performance evaluations of the Manager, Administrative Services and the procurement functional specialists.
Procurement processes and controls	Contracting documents will be reviewed to include a clause addressing environmental considerations in the performance of the work required	Completion by March 31, 2013	Completed. All contracting documents have been updated to include a clause addressing environmental considerations.
Use of green consolidated procurement instruments for goods and services	Commercial publication and flat prints	100%	100%
	Office furniture	100%	100%

Greening Government Operations

Although FCAC is not subject to the Federal Sustainable Development Strategy, we opted to voluntarily contribute to the following two targets set out in the Greening Government Operations section of the Strategy:

a) Surplus electronic and electrical equipment target

By March 31, 2014, each department will reuse or recycle all surplus electronic and electrical equipment (EEE) in an environmentally sound and secure manner.

Performance measure	Target 2012–13	Actual results 2012–13
Total number of departmental locations with EEE implementation plan fully implemented, expressed as a percentage of all locations, by the end of any given fiscal year.	100%	100%

Current status/comments:

- FCAC currently follows the Government of Canada's policies, directives and guidelines for the disposal of all surplus electronic and electrical materiel. The surplus is reused through the available programs (e.g., Computers for Schools, Crown Assets Distribution).
- FCAC nas only one departmental location.

b) Printing unit reduction target

By March 31, 2013, each department will achieve an 8:1 average ratio of office employees to printing units. Departments will apply target where building occupancy levels, security considerations and space configuration allow.

Performance measure	Target 2012–13	Actual results 2012–13
Ratio of departmental office employees to printing units at the end of the given fiscal year, where building occupancy levels, security considerations and space configuration allow	8:1	9:1

Current status/comments:

- A printing unit is defined as a desktop printer or network printer / multifunctional device (printer, fax or scanner).
- The term "office employees" includes indeterminate, determinate, term, casual and student employees who are employed on a full-time or part-time basis. It also includes temporary administrative help hired through employment agencies.
- FCAC had 9 printer units and 80 employees as of March 31, 2013.

Performance Summary

This section examines FCAC's performance in relation to the expected results and targets established in our *2011–14 Business Plan*. The following "performance scorecards" summarize results for 2012–13, giving a clear, concise picture of how successful we were in the past year.

Consumer Information and Development of Financial Skills

Consumer Education

2012–13 Financial resources ($ millions)		2012–13 Human resources (Full-time equivalents)		
Planned spending	Actual spending	Planned		Actual
3.88	3.73	26.7		25.7
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
FCAC's consumer information is useful, easy to understand, and relevant for decision making	Consumers' level of satisfaction on usefulness, ease of understanding and relevance	Average satisfaction rating of 3.5 on a scale of 5	Exceeded	Satisfaction rating: • Tools: 4.12 • Online publications: 4.21 • Print publications: 4.80 • Weighted average: 4.16
Information on financial products/services and consumer financial rights under federal laws is readily available to Canadians	Consumer education material covers the full range of financial products and services and all consumer financial rights under federal laws (print and electronic)	By March 31, 2012, retirement planning tool and other resources are available electronically	Not met	Module incorporated into more comprehensive Financial Goal Planner. See below.
		By March 31, 2012, review all publications and Web information to ensure that documentation about all consumer financial rights is available to Canadians	Met all	Completed review.

(continued)

2012–13 Financial resources ($ millions)		2012–13 Human resources (Full-time equivalents)		
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
		By March 31, 2013, four new life events are available on FCAC website	Mostly met	Published three new life events online during 2012–13 (*Teaching Children About Money, Having Children* and *Paying for Post-Secondary Education*). Developed content for three additional life events (*Losing Your Job, Getting Divorced or Separated* and *Living in Retirement*), which will be launched online by September 2013.
		By March 31, 2013, the banking package and savings account selector tools are revamped	Met all	Developed detailed user requirements. Timeline for deployment extended to fit IT resource availability and to align with launch of new Treasury Board Web standards in July 2013, thereby streamlining development process.
		By March 31, 2013, the collection of bank account and credit card data from financial institutions is automated	Met all	Completed development, launched in November 2012.
		By March 31, 2013, a Financial Goal Setting tool available	Not met	Completed working prototype of tool. To streamline the development process, we rescheduled the launch to coincide with a new Web environment that will go live in 2013.

(continued)

2012–13 Financial resources ($ millions)			2012–13 Human resources (Full-time equivalents)	
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
Market trends and emerging issues with an impact on financial consumers are monitored and evaluated	Research projects are completed by agreed timeline	By March 31, 2013, a research report on cashless and mobile payments is published, considering the data and information from the Task Force for the Payment Systems Review	Mostly met	Research team completed draft report and circulated it for comment. It will be finalized and published in 2013–14.
Information on financial products/services and consumer financial rights is presented in clear language	Consumer education material follows FCAC's clear language principles	FCAC's clear language principles are integrated in all new material and are maintained when the material is updated	Met all	Clear language principles have been integrated in new publications and Web content, as well as updates to existing resources for consumers.
Canadians use FCAC's education material	Number of Canadians using FCAC's education material	Increase of 5% year-over-year in:		
		• Web visits	Exceeded	109% increase in Web visits.
		• use of interactive tools	Exceeded	41% increase in use of interactive tools.
		• publications distributed to consumers and partners	Exceeded	17% decrease in print publications distributed was more than offset by a 147% increase in electronic publications downloaded.

(continued)

2012–13 Financial resources ($ millions)		2012–13 Human resources (Full-time equivalents)		
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
		Service commitments are met:		
		• Average call wait time for consumers is 30 seconds or less	Exceeded	Average wait time achieved was 13 second
		• Call abandon rate is 5% or less	Exceeded	Call abandon rate achieved was 2.9%
		• 80% of correspondence are responded within 14 calendar days	Exceeded	93% of correspondence was responded to within 14 calendar days
		• 85% of publication requests are responded within 10 calendar days	Exceeded	93% of publication requests were responded to within 10 calendar days

Financial Literacy

2012–13 Financial resources ($ millions)		2012–13 Human resources (Full-time equivalents)		
Planned spending	Actual spending	Planned		Actual
2.50	2.36	6		7
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
FCAC's financial literacy material contributes to the development and improvement of basic financial skills	Percentage of users who agree that FCAC's financial literacy material contributed to the development and improvement of their basic financial skills	By July 31, 2012, the adult financial literacy program *Your Financial Toolkit* is completed in both print and electronic format	Met all	Completed print and electronic formats within set time frame. Formally launched the Toolkit in September 2012.
Canadians use FCAC educational material	Number of Canadians who use FCAC's education material	Increase of 10% year-over-year in the number of online student registrations for *The City*	Not met	We did not actively target communications to students in 2012–13. There are also many new financial literacy programs available to students. We are looking at possible improvements to refresh *The City*.
		Increase of 5% year-over-year in the number of classes being registered for *The City*	Exceeded	7% increase.
		Increase of 5% year-over-year in number of requests for the *Financial Basics* material (print and download combined)	Exceeded	Presenter's manual: 57% increase. Participant's handbook: 61% increase. We attribute the considerable growth in requests to the availability of PDF versions for order online since April 2012.

(continued)

2012–13 Financial resources ($ millions)		2012–13 Human resources (Full-time equivalents)		
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
		By March 31, 2013, three financial literacy training sessions are delivered to member organizations of the Arctic Co-operatives Limited (ACL)	Exceeded	Delivered 10 workshops to 85 participants in various Nunavut communities based on ACL's presence. The partners agreed on a change in the scope of this pilot project: they decided to deliver training to members of the broader community, including ACL staff.
		By March 31, 2013, *Your Financial Toolkit* program is promoted in accordance with the promotion and communication plan	Met all	Executed promotion and communication plan: • The program was officially launched in September 2012 with the participation of partners the Autorité des marchés financiers du Québec and the Investor Education Fund, as well as Minister of State (Finance) Menzies and the community organizations chosen to deliver pilot workshops using Toolkit materials. • Conducted proactive media outreach and issued a press release. • Created and distributed marketing materials, including a brochure, rave cards (printed handouts), banners, posters and an email template. • Mounted exhibits at two events (Financial Planning Standards Council Symposium, Human Resources Professionals Association Conference).

(continued)

2012–13 Financial resources ($ millions)			2012–13 Human resources (Full-time equivalents)	
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
				• Articles published in *MoneySense* and *L'Actualité* magazines, as well as FCAC's *Financial Literacy* newsletter. • A mail campaign focused on organizations with a potential interest in *Your Financial Toolkit*. • Organized three pilot projects with three different community organizations (Causeway, Centre for Entrepreneurship Education and Development, Entraide budgétaire) to offer workshops using the Toolkit materials. As a result of these efforts, we registered 81,463 Web visits and distributed 3,554 print modules in the first six months after the program launch.
Information on financial products/services and consumer financial rights is presented in clear language	Financial literacy material follows FCAC's clear language principles	FCAC's clear language principles are integrated in all new material and are maintained when the material is updated	Met all	All our resources follow FCAC's clear language and presentation principles. FCAC works with clear language and literacy experts in the development and updating of its educational materials.

(continued)

2012–13 Financial resources ($ millions)		2012–13 Human resources (Full-time equivalents)		
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
Market trends and emerging issues with an impact on financial consumers are monitored and evaluated	Research projects are completed by agreed timeline	By September 30, 2012, a research report on the available resources for younger audiences (under the age of 15), is produced and gaps are identified, if any	Met all	An environmental scan of available resources for younger audiences was delivered in September 2013. A final report analyzing the environment, identifying gaps and making recommendations was prepared and presented to management. As a result, a financial education resource for children was identified and FCAC received buy-in from the stakeholder to make information on the resource available on the FCAC website in the future.
		By March 31, 2013 an evaluation strategy for a specific FCAC teaching resource is implemented	Met all	FCAC undertook a pilot project to test a proposed evaluation strategy with the objective of measuring the benefits received by Canadians who participate in a financial literacy educational program. The outcome evaluation project used FCAC's *Financial Basics* program. By March 31, 2013, over 77 *Financial Basics* workshops were offered across Canada to approximately 1,200 participants of which 1,086 (90%) participated in the pre-workshop questionnaire, an element of the evaluation strategy.

Compliance Supervision and Enforcement

FRFE = federally regulated financial entity

2012–13 Financial resources ($ millions)		2012–13 Human resources (Full-time equivalents)		
Planned spending	Actual spending	Planned		Actual
3.24	3.18	22.7		22.7
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
Identification and prompt investigation of potential occurrences of non-compliance with the consumer provisions and the FRFEs' codes of conduct and public commitments	Established timelines for supervisory activities are respected	Examinations and assessments are carried out within set time frames. Time frames will be set based on the type of examinations / assessments as well as the complexity of the compliance issue.	Not met	Complexity of reviews and recommendations contributed to FCAC's not meeting this target. In particular, FCAC undertook a significant examination of an FRFE and it was considerably more complex than initially expected. A full examination was successfully completed but, because of its nature and size, FCAC did not meet this target.
		90% of complaints are triaged within 5 business days from receipt by the Compliance Supervision and Enforcement Division	Exceeded	98% of complaints were triaged within the set time frame.
		90% of compliance concerns identified in compliance cases are raised with the implicated FRFE within 30 business days from case opening date	Mostly met	86% of compliance concerns were raised with FRFEs within the set time frame. Delays were experienced as a result of staff resource shortages; these were addressed during 2012–13.
		Investigations of potential non-compliance with the consumer provisions are completed within the legislated two years	Met all	Completed all investigations within two years.

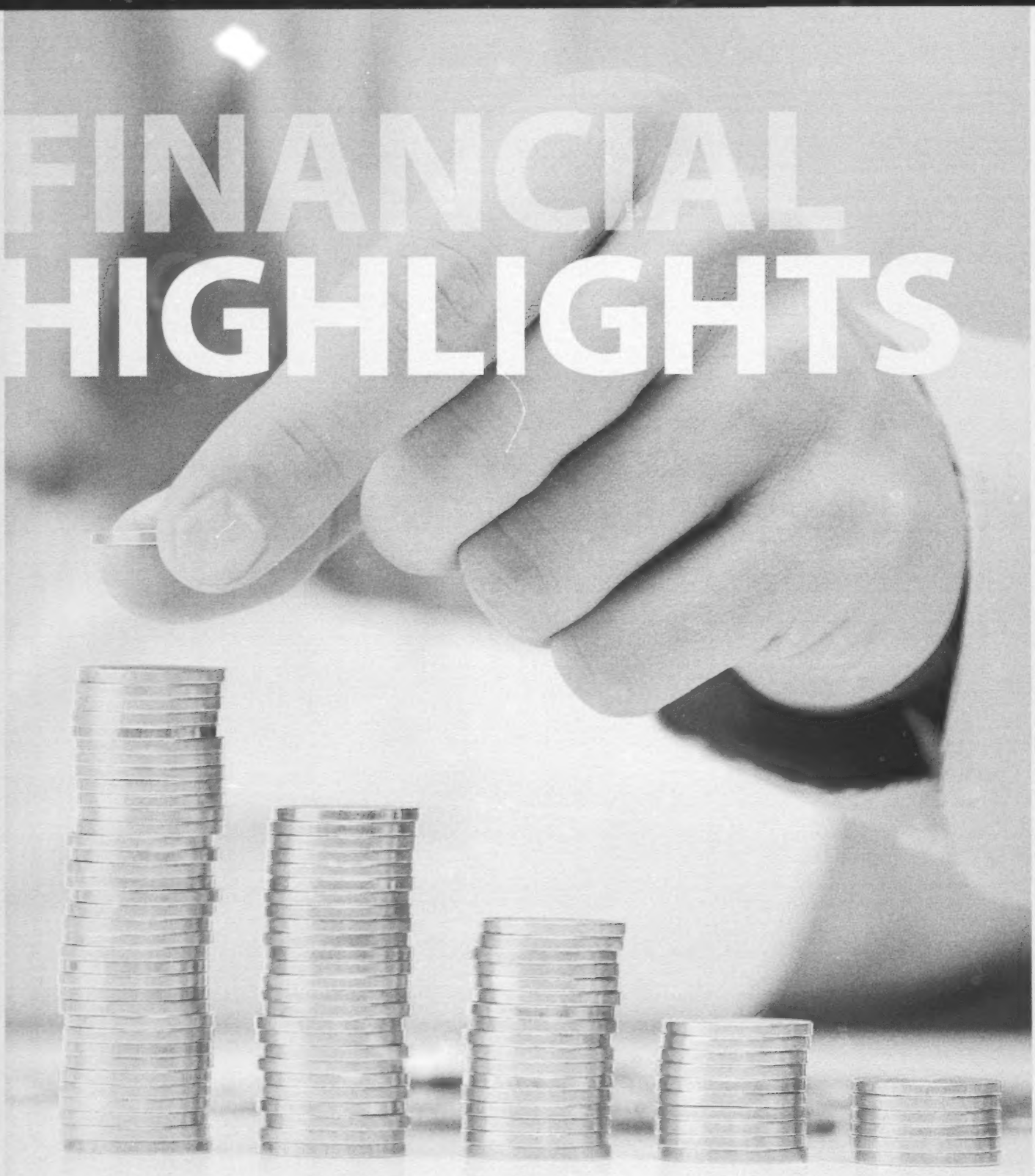
(continued)

2012–13 Financial resources ($ millions)			2012–13 Human resources (Full-time equivalents)	
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
		By March 31, 2013, the review of the implementation of clear and simple language principles (Phase 2) is completed	Met all	Completed review by deadline.
Application of compliance or enforcement actions with FRFEs to rectify compliance deficiencies	Compliance and enforcement actions are promptly undertaken	80% of the informal enforcement actions are prepared and submitted to the FRFE within 180 days from identifying the potential non-compliance with the consumer provisions, codes of conduct or public commitments	Exceeded	93% of information enforcement actions were prepared and submitted to the FRFE within the set time frame.
	Correction of compliance deficiencies is monitored	90% of the correction of compliance deficiencies (informal action plans and compliance agreements) reviewed within 90 days from the correction due date	Exceeded	Reviewed 100% of the correction of compliance deficiencies within the set time frame.
FRFEs understand FCAC's role and their obligations to consumers, and are encouraged to adopt policies and procedures to implement them	A strong supervisory relationship with the FRFEs is maintained	Introduction letters are sent to new FRFEs within 60 days from the receipt of the Order to Commence	Somewhat met	Sent four introduction letters to FRFEs during 2012–13, with one sent after 60-day target. A staffing issue played a part in FCAC's not fully meeting this target.
		Meetings are held annually with 25% of the deposit-taking / lending or selected FRFEs	Met all	Met with 25% of FRFEs during 2012–13.
		FRFEs are informed of new or amended legislative requirements within 10 business days of coming into force	Met all	Informed FRFEs of three new sets of regulations / legislation within the set time frame.
		By March 31, 2013, an application process for third-party dispute resolution mechanisms is developed	Met all	Developed application process by deadline.

Internal Services

2012–13 Financial resources ($ millions)		2012–13 Human resources (Full-time equivalents)		
Planned spending	Actual spending	Planned		Actual
4.02	3.99	19.7		19.7
Expected results	Performance indicators	Targets/deliverables for 2012–13	Performance status	Performance summary
FCAC has in place good practices to manage and deliver its programs effectively, efficiently and in compliance with the Government of Canada's policies and Management Accountability Framework	Independent audits and/or reviews of elements related to FCAC's applications of its policies and procedures and Government of Canada policies that are applicable to FCAC	For policies applicable to FCAC, no significant observations are raised in audit and/or review reports (i.e., no non-compliant findings)	Met all	No findings of non-compliance raised in independent audits and reviews related to Government of Canada policies applicable to FCAC.
		No significant gaps in findings with respect to best practices followed by FCAC in accordance with the *Policy on Internal Control*	Met all	No significant gaps found.
		By March 31, 2013, an internal communication framework is developed	Mostly met	An internal communication framework was developed but was not finalized before the fiscal year-end. The framework was presented for management approval on April 11, 2013.

FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

2012–13 Financial Highlights

The Financial Consumer Agency of Canada (FCAC) is a federal government agency that is funded mostly through assessments of federally regulated financial entities.

In its 2008 budget, the Government of Canada announced funding of $2 million per year as of fiscal year 2008–09 for its Financial Literacy Program. FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the *Financial Consumer Agency of Canada Act*. The funding is to support efforts to improve financial literacy in Canada.

FCAC total expenses for fiscal year 2012–13 were $13.26 million, an increase of $1.11 million or 9.1 percent from fiscal year 2011–12. The increase is primarily due to an increase in human resource costs, investments in technology infrastructure, and administrative costs.

The increase related to human resources of $666,883 or 8.8 percent is primarily the result of staffing vacant and new positions in 2012–13 and the full impact of those hired in 2011–12 in the areas of the expanded mandate (supervision of Payment Card Network Operators and Research function) and the expansion of the Information Technology group. The increase is also due to planned growth in employees' compensation in accordance with terms and conditions of employment.

Information Management/Technology (IM/IT) expenses were $1,206,869, which represents a $503,098 increase over the previous year. The Agency incurred costs to bring its website in compliance with the Treasury Board Secretariat directives on accessibility standards for government websites and begin its implementation of a Content Management Solution. Costs were also incurred for the development and implementation of new applications to support our evolving supervisory and financial education activities. Related IT activities originally planned for 2011–12 were commenced in 2012–13, resulting in a shift of 2011–12 expenses to 2012–13.

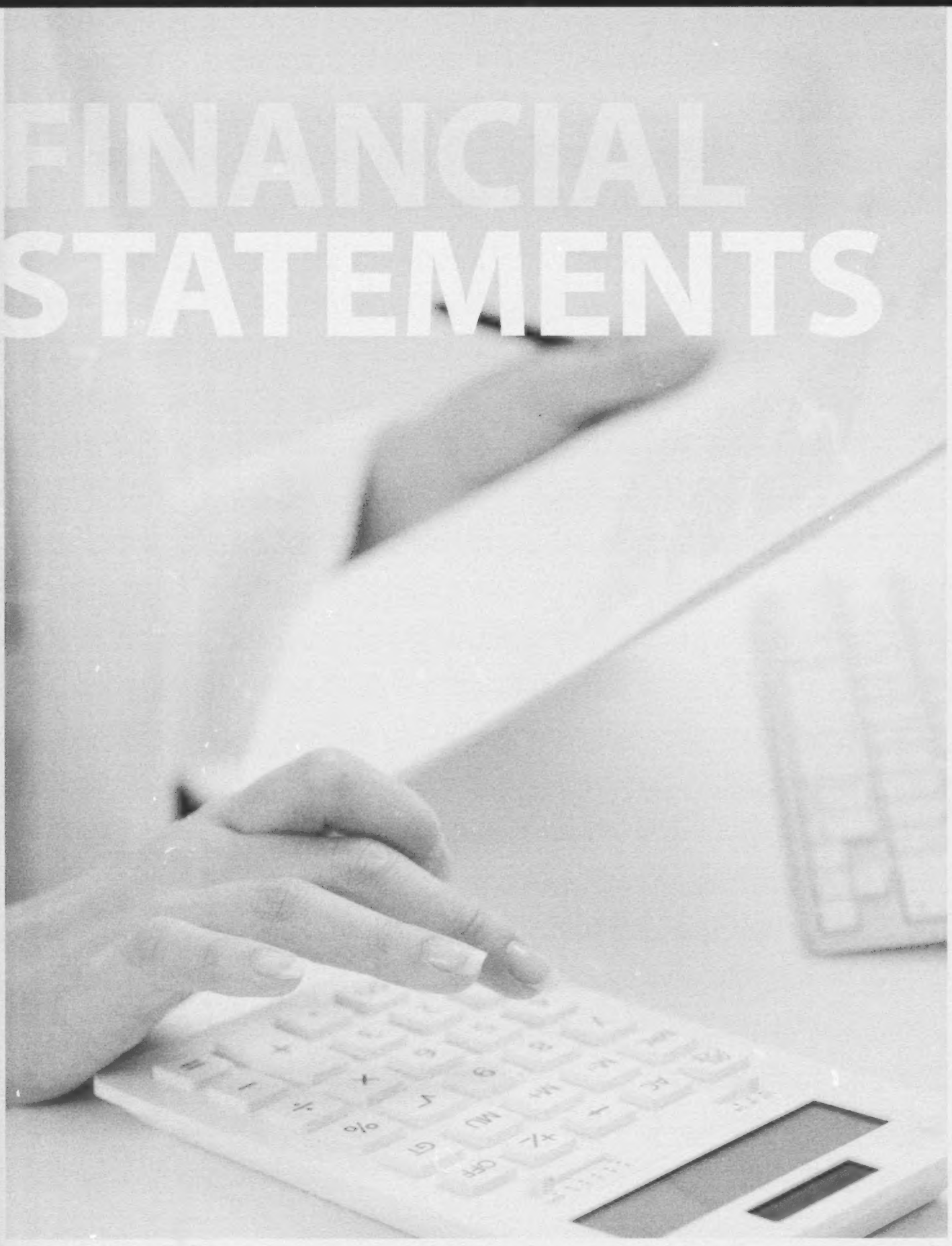
The expenses related to Professional Services have decreased by $176,326 when compared to the figure of fiscal year 2011–12. The cost of service memoranda the Agency has in force with other federal organizations was revised in 2012–13, and increases were absorbed through a reduction in other types of Professional Services as some contracted services had different scopes and timelines when compared to those of fiscal year 2011–12.

Administrative and Other costs increase by $130,859 or 27.8 percent, due to an increase in the printing of consumer publications, specifically for new financial literacy products.

From its inception, the Agency has been guided by the management principle that its focus should be on delivering the programs arising out of its mandated legislation. As a result, we have opted to use common and/or shared services to provide generic corporate services when it has been cost-effective to do so.

Strategic management partnerships continue to give the Agency the flexibility needed to manage evolving programs as cost-effectively and efficiently as possible.

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

Financial Consumer Agency of Canada
March 31, 2013

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the years ended March 31, 2013 and March 31, 2012, and all information contained in these statements rests with the management of the Financial Consumer Agency of Canada (FCAC). These financial statements have been prepared by management in accordance with International Financial Reporting Standards.

Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FCAC's financial transactions.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through an organizational structure that provides appropriate divisions of responsibility; through communications programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout FCAC; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

An assessment for the year ended March 31, 2013, was completed in accordance with the Treasury Board Secretariat's *Policy on Internal Control*, and the results and action plan are summarized in the annex.

The system of internal control over financial reporting is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The effectiveness and adequacy of FCAC's system of internal control are reviewed, as appropriate, by the risk-based work of internal audit staff—through a memorandum of understanding with the Office of the Superintendent of Financial Institutions—who conduct periodic risk-based audits of different areas of FCAC's operations, and by FCAC's Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends to the Commissioner the approval of the audited financial statements.

Deloitte LLP has audited the financial statements of FCAC and reports on its audit to the Minister of Finance. This report does not include an audit opinion on the annual assessment of the effectiveness of FCAC's internal controls over financial reporting.

Lucie Tedesco
Acting Commissioner
Chief Financial Officer
Financial Consumer Agency of Canada

Ottawa, Canada
June 25, 2013

Deloitte.

Deloitte LLP
800 - 100 Queen Street
Ottawa, ON K1P 5T8
Canada

Tel: 613 236 2442
Fax: 613 236 2195
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

We have audited the accompanying financial statements of the Financial Consumer Agency of Canada, which comprise the statement of financial position as at March 31, 2013, and the statement of operations and total comprehensive income, the statement of changes in deficiency and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Consumer Agency of Canada as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter
The statement of financial position as at March 31, 2012 and the statement of operations and total comprehensive income, the statement of changes in deficiency and the statement of cash flows for the year then ended were audited by another auditor who issued an unmodified opinion on July 4, 2012.

Deloitte LLP

Chartered Accountants
Licensed Public Accountants

June 25, 2013
Ottawa, ON

Financial Consumer Agency of Canada

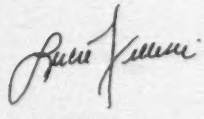
Statement of Financial Position

As at March 31

(in Canadian dollars)	Note	2013	2012
ASSETS			
Current Assets			
Cash Entitlement		$ 2,142,344	$ 1,464,739
Trade Receivables, Net	7	166,857	206,623
Other Receivables	7	294,892	97,544
Prepaid Expenses		23,046	31,031
Non-Current Assets			
Property, Plant and Equipment	9	439,621	680,780
Intangible Assets	10	168,354	65,230
TOTAL ASSETS		**$ 3,235,114**	**$ 2,545,947**
LIABILITIES			
Current Liabilities			
Trade and Other Payables	8,16	1,975,510	1,296,080
Unearned Assessments		377,039	597,346
Employee Benefits—Sick leave	11	325,749	235,950
Employee Benefits—Severance	11	416,737	18,271
Non-Current Liabilities			
Employee Benefits—Severance	11	154,048	412,269
Total Liabilities		**3,249,083**	**2,559,916**
DEFICIENCY			
Accumulated Deficit	18	(13,969)	(13,969)
TOTAL LIABILITIES AND DEFICIENCY		**$ 3,235,114**	**$ 2,545,947**

Operating Lease Arrangements and Other Commitments 13

Approved by:



Lucie Tedesco
Acting Commissioner, Chief Financial Officer
Financial Consumer Agency of Canada

The accompanying notes are an integral part of these Financial Statements.

Statement of Operations and Total Comprehensive Income

For the year ended March 31

(in Canadian dollars)	Note	2013	2012
REVENUE			
Assessments		$ 11,258,265	$ 10,420,802
Other Revenue		5	45
Total Revenue		**11,258,270**	**10,420,847**
EXPENSES			
Salaries and Benefits		8,239,729	7,572,846
Professional Services		1,961,467	2,137,793
Information Management/Technology		1,206,869	703,771
Accommodation		1,038,391	1,028,246
Administrative and Other		601,749	470,890
Travel		172,355	185,147
Interest	16	37,710	54,394
Total Expenses		**13,258,270**	**12,153,087**
Net Results of Operations before Government Funding and Administrative Monetary Penalties		**(2,000,000)**	**(1,732,240)**
Government Funding	17	2,000,000	1,732,240
Net Results of Operations before Administrative Monetary Penalties		–	–
Administrative Monetary Penalties	12	280,000	212,500
Administrative Monetary Penalties Earned on Behalf of the Government	12	(280,000)	(212,500)
Net Results of Operations and Total Comprehensive Income		**$ –**	**$ –**

The accompanying notes are an integral part of these Financial Statements.

Statement of Changes in Deficiency

For the year ended March 31

(in Canadian dollars)	Accumulated Deficit
Deficit at March 31, 2011	**$ (13,969)**
Net Results of Operations and Total Comprehensive Income	–
Deficit at March 31, 2012	**(13,969)**
Net Results of Operations and Total Comprehensive Income	–
Deficit at March 31, 2013	**$ (13,969)**

The accompanying notes are an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended March 31

(in Canadian dollars)	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Financial Entities and Other Government Departments		$ 13,626,833	$ 13,350,852
Cash Paid to Suppliers and Employees		(12,487,127)	(13,186,141)
Interest Paid	16	(37,710)	(54,394)
Non-Respendable Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund	12	(280,000)	(212,500)
Net Cash Provided by (Used in) Operating Activities		**821,996**	**(102,183)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	9	(18,679)	(558,617)
Acquisition of Intangible Assets	10	(125,712)	(26,998)
Net Cash Used in Investing Activities		**(144,391)**	**(585,615)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New Borrowings	16	7,000,000	8,000,000
Repayments		(7,000,000)	(8,000,000)
Net Cash Provided by Financing Activities		**–**	**–**
NET INCREASE (DECREASE) IN CASH ENTITLEMENT		**677,605**	**(687,798)**
CASH ENTITLEMENT, BEGINNING OF YEAR		**1,464,739**	**2,152,537**
CASH ENTITLEMENT, END OF YEAR		**$ 2,142,344**	**$ 1,464,739**

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a department of the Government of Canada and is listed in Schedule I.1 of the *Financial Administration Act*. The Government of Canada is FCAC's parent and the ultimate controlling party of FCAC.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*. It must:

a) supervise financial institutions to determine whether they are in compliance with
   i. the consumer provisions applicable to them, and
   ii. the terms and conditions or undertakings with respect to the protection of customers of financial institutions that the Minister of Finance (Minister) imposes or requires, as the case may be, under an act listed in Schedule 1 and the directions that the Minister imposes under the Act;

b) promote the adoption by financial institutions of policies and procedures designed to implement
   i. provisions, terms and conditions, undertakings or direction referred to in paragraph a,
   ii. voluntary codes of conduct that are designed to protect the interests of their customers, that are adopted by financial institutions and that are publicly available, and
   iii. any public commitments made by them that are designed to protect the interests of their customers;

c) monitor the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available; and monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;

d) promote consumer awareness about the obligations of financial institutions under consumer provisions applicable to them and about all matters connected with the protection of consumers of financial products and services;

e) foster, in cooperation with any department, agency or agent corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services;

f) monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services;

g) collaborate and coordinate its activities with stakeholders to contribute to and support initiatives to strengthen the financial literacy of Canadians;

h) supervise payment card network operators to determine whether they are in compliance with the provisions of the *Payment Card Networks Act* and its regulations;

i) promote the adoption by payment card network operators of policies and procedures designed to implement the provisions of the *Payment Card Networks Act* and its regulations;

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

j) monitor the implementation of voluntary codes of conduct that have been adopted by payment card network operators and that are publicly available; and monitor any public commitments made by them regarding their commercial practices in relation to payment card networks; and

k) promote public awareness about the obligations of payment card network operators under a voluntary code of conduct or under the *Payment Card Networks Act*.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. Pursuant to section 13(2) of the Act, FCAC's operations are typically funded entirely through this process. FCAC is, however, entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations* and the financial assessment methodology of payment card network operators, which outline the methodologies used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

2. Background information

The financial statements for the year ended March 31, 2013, were authorized for issue by the Acting Commissioner of the Financial Consumer Agency of Canada on June 25, 2013. The head office is located at 427 Laurier Avenue West in Ottawa, Ontario, Canada. FCAC's principal activities are described in Note 1.

3. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash entitlement, which has been measured at fair value.

The financial statements are presented in Canadian dollars because that is the currency of the primary economic environment in which FCAC operates.

Statement of compliance

The financial statements of FCAC have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies used in the financial statements are based on the IFRS applicable as at March 31, 2013, and encompass individual IFRS, International Accounting Standards (IAS), and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The policies set out below are consistently applied to all periods presented.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

4. New standards and interpretations not yet adopted

(i) Financial Instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in November 2009 and revised on October 28, 2010; it will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, "Fair Value Through Net Results" ("FVTNR") and amortized cost. Financial liabilities held for trading are measured at FVTNR, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. At this time, management has determined that the impact of IFRS 9 on the financial statements is not expected to be significant.

(ii) Fair value measurement

IFRS 13, "Fair Value Measurement," a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards, was issued by the IASB on May 12, 2011. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.It also establishes disclosures about fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. At this time, management has determined that the impact of IFRS 13 on the financial statements is not expected to be significant.

(iii) Accounting for employee benefits

In June 2011, the IASB issued significant amendments to IAS 19, "Employee Benefits." These changes affect the recognition of actuarial gains and losses by removing the option to use the corridor approach and requiring immediate recognition in Other Comprehensive Income (OCI). These OCI amounts cannot be reclassified to the Statement of Operations when the liability is ultimately settled. There are also changes to the recognition, measurement and presentation of past service costs, cost of benefits and finance expense or income relating to employee benefits. Further, termination benefits are recognized as a liability at the earlier of the date on which the entity can no longer withdraw the offer of the termination benefit or the date on which it recognizes any related restructuring costs. There are additional disclosure requirements. The amendment is effective for periods beginning on or after January 1, 2013, and is generally applied retrospectively with certain exceptions.

Upon retrospective application of the revised standard, the expected impacts to the annual 2013 results, including the related change in presentation discussed below, are as follows:

- Net Results will be increased by the actuarial losses of $137,829 currently recorded in the Statement of Operations and Total Comprehensive Income.
- OCI will be decreased by the actuarial losses of $137,829 now presented in OCI.
- The total of Net Results and OCI will be equal to Net Results currently presented in the Statement of Operations and Total Comprehensive Income as FCAC does not currently use the corridor approach.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

(iv) Presentation of items of other comprehensive income

In June 2011, IASB issued amendments to IAS 1, "Presentation of Financial Statements." These amendments include a requirement for entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially reclassifiable to Net Results subsequently (reclassification adjustments), and emphasize the importance of presenting Net Results and Other Comprehensive Income together and with equal prominence. The amendment is effective for annual periods starting on or after July 1, 2012.

5. Summary of significant accounting policies

a) Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

b) Financial instruments

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value.

The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

Classification	Accounting Treatment
Fair Value Through Net Results	Cash Entitlement is classified as "Fair Value Through Net Results." Cash Entitlement is measured at fair value.
Loans and Receivables	Trade Receivables and Other Receivables are classified as "Loans and Receivables." Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not debt securities. Subsequent to initial recognition, Loans and Receivables are measured at amortized cost using the effective interest method. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the loan and receivable that gave rise to the gain, loss or interest income.
Other Financial Liabilities	Trade and Other Payables, and Unearned Assessments are classified as "Other Financial Liabilities." Other Financial Liabilities are non-derivative financial liabilities that have not been designated at fair value. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenues or expenses depending on the nature of the financial liability that gave rise to the gain, loss or interest expense.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

Impairment of financial assets—FCAC assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, FCAC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If FCAC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Statement of Operations and Total Comprehensive Income.

c) Property, plant and equipment

Property, plant and equipment (PPE) is stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes the cost of replacing parts of property, plant and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the Statement of Operations and Total Comprehensive Income as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Life
Furniture and Fixtures	7 years
Leasehold Improvements	lesser of useful life or remaining term of the lease
Informatics Software	5 years
Office Equipment	4 years
Informatics Hardware	3 years

Software is capitalized as property, plant and equipment when the software is integral to the use of the related hardware. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

d) Intangible assets

Intangible assets consist of externally purchased software that is not an integral part of the related hardware. Intangible assets purchased externally are measured on initial recognition at historical cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

FCAC holds intangible assets that have finite lives and are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortization is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful life of five years and is recorded in the relevant expense line item depending on the business activity to which the expense pertains.

e) Impairment of non-financial assets

FCAC assesses at each reporting date whether there are any internal indicators that an asset may be impaired (e.g. damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, FCAC estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. There is no risk of not recovering the carrying amount of the asset given FCAC's cost recovery business model.

FCAC assesses internally developed intangible assets not yet in use for impairment on an annual basis.

f) Employee benefits

i) Short-term benefits

Short-term benefits are recorded in the Statement of Operations and Total Comprehensive Income when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date is accrued at year-end and not discounted. Short-term compensated leave expected to occur within 12 months of the reporting date is classified as short-term employee benefits. FCAC contributes to the Government of Canada sponsored Public Service Health Care Plan and the Dental Care Plan for employees.

ii) Post-employment benefits

Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of FCAC.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

Severance

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits and represents the only obligation of FCAC for severance benefits. The severance benefits are based upon the final salary of the employee.

The cost of benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The obligation is unfunded. The valuation of the liability is based upon a current market discount rate which is based on the market yields at the Statement of Financial Position date on high-quality corporate bonds, and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. All actuarial gains (losses) are recognized in Net Results in the Statement of Operations and Total Comprehensive Income.

Other benefits

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Services Plan are the two major plans available to FCAC retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of FCAC with respect to these plans.

iii) Other long-term benefits

Sick Leave

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. Any gains and losses are recognized in Net Results in the period in which they arise.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the Statement of Operations and Total Comprehensive Income on a straight-line basis over the period of the lease.

FCAC does not have the borrowing authority to enter into lease agreements that are classified as finance leases. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

FCAC records the costs associated with operating leases in the Statement of Operations and Total Comprehensive Income in the period in which they are incurred.

h) Government funding

Government funding, including parliamentary appropriations, is recognized when there is reasonable assurance that the funding will be received and when all attached conditions have been complied with. When the funding relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The funding and corresponding expense item are recognized at their gross amounts.

i) Revenue recognition

FCAC recognizes revenue so as to recover its expenses. Any amounts that have been billed for which costs have not been incurred are classified as unearned assessments on the Statement of Financial Position. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At March 31 of each year, amounts may have been collected in advance of the incurrence of costs or provision of services; alternatively, amounts may not have been collected and are owed to FCAC. FCAC assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. FCAC has concluded that it is acting as a principal in all of its revenue arrangements.

Assessments—Revenue from assessments is recognized based on actual costs incurred. The assessments are charged to recover costs and all costs are considered recoverable. Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed costs and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

Administrative monetary penalties may be issued by the Commissioner of FCAC through Notices of Violations. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the *Financial Consumer Agency Act*. The penalty amount may be as high as $50,000 for an individual and $500,000 for an institution. Penalties levied by FCAC are non-respendable and are to be remitted to the *Consolidated Revenue Fund*. The funds are not available to FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

6. Significant accounting judgments, estimates and assumptions

The preparation of FCAC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability. In that case, the impact will be recognized in the financial statements of a future fiscal period.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

Judgments

In the process of applying its accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments—FCAC as lessee

Public Works and Government Services Canada (PWGSC) enters into commercial property leases for FCAC's office space and recovers such cost from FCAC. FCAC also enters into leases for certain office equipment. FCAC has determined, based on an evaluation of the terms and conditions of the arrangements, that significantly all of the risks and rewards of ownership have not been transferred to FCAC and it therefore accounts for these contracts as operating leases.

Administrative monetary penalties—FCAC as principal

FCAC has determined it is the principal in the arrangement and has recorded revenue on a gross basis.

Estimates and assumptions

Discussed below are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, having significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimated useful lives of assets

The estimated useful lives of property, plant and equipment and intangible assets are based on management's intentions with respect to the asset, historical experience with the asset, internal asset management plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively.

Severance benefits

The cost of the defined benefit severance plan as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Canada with an AAA or AA rating and with maturities matching the estimated cash flows of the severance payments. Departure rates are based on experience from the Public Service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

Further details about the assumptions used are given in Note 11(a).

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

Sick leave

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, usage rates, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Canada with an AAA or AA rating and with maturities matching the estimated sick leave usage. Departure rates are based on experience from the Public Service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

There are no other accounting assumptions or estimates that have been identified as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year.

7. Trade and other receivables

The breakdown of all amounts owing to FCAC, by type is as follows:

	Federally Regulated Financial Entities	Other	Total March 31, 2013
Trade Receivables	$ 175,857	$ –	$ 175,857
Allowance for Doubtful Accounts	(9,000)	–	(9,000)
Trade Receivables, Net	**166,857**	**–**	**166,857**
Other			
Related Parties	–	9,575	9,575
Other Receivables	225,000	60,317	285,317
Total Other	**225,000**	**69,892**	**294,892**
Accrued Assessments	–	–	–
Total	**$ 391,857**	**$ 69,892**	**$ 461,749**
% of Total Exposure	**84.9%**	**15.1%**	**100.0%**

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

	Federally Regulated Financial Entities	Other	Total March 31, 2012
Trade Receivables	$ 214,623	$ –	$ 214,623
Allowance for Doubtful Accounts	(8,000)	–	(8,000)
Trade Receivables, Net	**206,623**	**–**	**206,623**
Other			
Related Parties	–	7,440	7,440
Other Receivables	62,500	27,604	90,104
Total Other	**62,500**	**35,044**	**97,544**
Accrued Assessments	–	–	–
Total	**$ 269,123**	**$ 35,044**	**$ 304,167**
% of Total Exposure	**88.5%**	**11.5%**	**100.0%**

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provision is also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on accounts receivable recognized during the period ended March 31, 2013, were $1,000 (March 31, 2012: $2,000). Recoveries during the same period totalled $nil (March 31, 2012: $nil).

A trade receivable will be considered to be impaired and written off when FCAC is certain that collection will not occur and all requirements of the *Debt Write-off Regulations, 1994* have been met. During the period, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

As at March 31, 2013, the aging of non–related party trade receivables was as follows (for terms and conditions relating to related-party receivables, refer to Note 8):

Days outstanding	Current	31-60	61-90	91-120	> 120	Total
March 31, 2013	$ 1,000	$ 116,224	$ –	$ 50,648	$ 7,985	$ 175,857
March 31, 2012	$ 48,966	$ –	$ 158,672	$ –	$ 6,985	$ 214,623

All assessments receivable and accrued assessments are recoverable from federally regulated financial entities (includes banks, trust and loan companies, life insurance companies, property and casualty insurance companies, retail associations and payment card network operators). FCAC regulates over 375 financial entities and does not have a significant receivable from any individual financial entity.

Refer to Note 16 (c) for further information on credit risk applicable to FCAC.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

8. Related-party transactions

a) The ultimate parent

The Government of Canada is the ultimate parent of FCAC, and has control over FCAC.

b) Compensation of key management personnel

Key management personnel includes the following positions: the Commissioner, Deputy Commissioner, and directors of FCAC. Total compensation paid to key management personnel for the years ended March 31 is provided in the table below.

	2013	2012
Short-term employee benefits	$ 1,499,590	$ 1,328,383
Post-employment benefits	352,050	458,937
Other long-term benefits	21,107	20,115
Total	**$ 1,872,747**	**$ 1,807,435**
Average Number of Employees	**8**	**8**

c) Government related entities

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and Crown corporations. FCAC enters into transactions with these entities in the normal course of business and on normal trade terms.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

During the year ended March 31, 2013, FCAC purchased goods and services for $3,769,384 (2012: $3,577,820) and earned revenue of $103,498 (2012: $259,994) from transactions with other government departments. Individually, these transactions were in the normal course of business. Although most transactions are not individually significant, FCAC did have the following individually significant transactions:

Entity	Nature	2013 Expenditures	2013 Payable	2012 Expenditures	2012 Payable
Treasury Board Secretariat	Pension contributions and other employee benefits	$ 1,542,558	$ 91,339	$ 1,452,419	$ 75,808
Public Works and Government Services Canada	Accommodation, translation services and other services	869,273	2,976	1,266,817	19,958
Office of the Superintendent of Financial Institutions	Finance, human resources and internal audit services	382,397	37,407	435,490	1,069
Department of Justice	Legal services	215,063	19,111	124,453	1,614
Canadian Human Rights Commission	Human resources services	171,132	–	–	–
Shared Services Canada	Communication and other services	165,424	54,226	–	–
Canada Deposit Insurance Corporation	Professional services	–	–	101,124	–

As at March 31, 2013, the amounts of trade receivables and trade and other payables from these related parties are $9,575 (March 31, 2012: $7,440) and $428,781 (March 31, 2012: $130,501), respectively.

Effective 2007–08, FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act. The funding is to support efforts to improve financial literacy in Canada. During the year ended March 31, 2013, FCAC received an appropriation of $2,000,000 (2012: $1,677,240).

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

9. Property, plant and equipment

Cost	Leasehold improvements	Furniture and fixtures	Office equipment	Informatics hardware	Informatics software	Total
Balance at March 31, 2011	**$ 655,864**	**$ 615,220**	**$ 46,958**	**$ 301,943**	**$ 20,244**	**$ 1,640,229**
Additions	260,475	201,136	11,573	85,433	–	558,617
Disposals/transfers of assets	–	–	–	(109,076)	–	(109,076)
Balance at March 31, 2012	**$ 916,339**	**$ 816,356**	**$ 58,531**	**$ 278,300**	**$ 20,244**	**$ 2,089,770**
Additions	–	–	–	18,679	–	18,679
Balance at March 31, 2013	**$ 916,339**	**$ 816,356**	**$ 58,531**	**$ 296,979**	**$ 20,244**	**$ 2,108,449**
Accumulated depreciation and impairment						
Balance at March 31, 2011	**$ 543,544**	**$ 539,696**	**$ 37,084**	**$ 148,236**	**$ 11,135**	**$ 1,279,695**
Disposals/transfers of assets	–	–	–	(109,076)	–	(109,076)
Depreciation expense	95,181	47,713	6,843	84,585	4,049	238,371
Balance at March 31, 2012	**$ 638,725**	**$ 587,409**	**$ 43,927**	**$ 123,745**	**$ 15,184**	**$ 1,408,990**
Depreciation expense	117,303	47,691	7,549	83,247	4,048	259,838
Balance at March 31, 2013	**$ 756,028**	**$ 635,100**	**$ 51,476**	**$ 206,992**	**$ 19,232**	**$ 1,668,828**
Net book value						**Total**
Balance at March 31, 2012	$ 277,614	$ 228,947	$ 14,604	$ 154,555	$ 5,060	$ 680,780
Balance at March 31, 2013	**$ 160,311**	**$ 181,256**	**$ 7,055**	**$ 89,987**	**$ 1,012**	**$ 439,621**

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at March 31, 2013, FCAC had $1,075,134 of capital assets at cost that were fully depreciated and still in use. These assets are near the end of their useful life and their fair value is insignificant.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

10. Intangible assets

	Software	Software under development	Total
Cost			
Balance at March 31, 2011	**$ 99,101**	**$ –**	**$ 99,101**
Additions	26,998	–	26,998
Balance at March 31, 2012	**$ 126,099**	**$ –**	**$ 126,099**
Additions	4,400	121,312	125,712
Transfer to in use	14,310	(14,310)	–
Balance at March 31, 2013	**$ 144,809**	**$ 107,002**	**$ 251,811**
Accumulated amortization			
Balance at March 31, 2011	**$ 41,870**	**$ –**	**$ 41,870**
Amortization	18,999	–	18,999
Balance at March 31, 2012	**$ 60,869**	**$ –**	**$ 60,869**
Amortization	22,588	–	22,588
Balance at March 31, 2013	**$ 83,457**	**$ –**	**$ 83,457**
Net book value			
Balance at March 31, 2012	$ 65,230	$ –	$ 65,230
Balance at March 31, 2013	**$ 61,352**	**$ 107,002**	**$ 168,354**

As at March 31, 2013, FCAC had $11,100 of intangible assets at cost that were fully amortized and still in use. These assets are near the end of their useful life and their fair value is insignificant.

11. Employee benefits

a) Post-employment benefits

i. Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective as at March 31, 2013, was 12.062% (2012 – 12.345%). Total contributions of $721,201 (2012: $690,462), were recognized as expense in the current period.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Quebec Pension Plan benefits and they are indexed to inflation.

ii. Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	March 31, 2013	March 31, 2012
Accrued Benefit Obligation, beginning of the year	**$ 430,540**	**$ 465,875**
Current service cost	59,293	65,911
Interest cost	17,733	18,801
Benefits paid	(64,908)	(229,180)
Curtailment loss	46,407	67,906
Actuarial loss	81,720	41,227
Accrued Benefit Obligation, end of the year[1]	**$ 570,785**	**$ 430,540**
Current Portion of Accrued Benefit Obligation, end of the year	$ 416,737	$ 18,271
Long-term Portion of Accrued Benefit Obligation, end of the year	154,048	412,269
Accrued Benefit Obligation, end of the year[1]	**$ 570,785**	**$ 430,540**
Net Benefit Plan Expense		
Current service cost	59,293	65,911
Interest cost	17,733	18,801
Curtailment loss	46,407	67,906
Actuarial loss	81,720	41,227
Benefit Expense	**$ 205,153**	**$ 193,845**

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 5(i) to the Financial Statements. Amounts collected in excess of benefits paid are presented in the Statement of Financial Position under the heading of Cash Entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Cumulative actuarial losses (gains) recorded in income since April 1, 2010, the date of FCAC's transition to IFRS, is $67,261 (2012: $(14,459)).

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 4.01% (2012: 4.11%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2013, is an annual economic increase of 2.0% for the plan years 2014 and 2015 (2012: 1.5% for the plan year 2013 and 2.0% for 2014). Thereafter, an annual economic increase of 2.0% is assumed (2012: 1.5%). The average remaining service period of active employees covered by the benefit plan is 16 years (2012: 14 years).

FCAC has adopted the following disclosure requirements prospectively from the date of transition to IFRS.

Amounts for the current and previous three periods are as follows:

Employee Benefits—Severance	Accrued benefit obligation	Actuarial losses (gains) recognized during the period
March 31, 2013	$ 570,785	$ 81,270
March 31, 2012	430,540	41,227
March 31, 2011	465,875	(55,686)
April 1, 2010	438,540	–

Curtailment

During the year 2013 FCAC modified its severance plan. Effective May 22, 2013, all non–Executive level employees ceased accumulating benefits under the severance plan. Employees were given three options with respect to the benefits accumulated under this plan. The choices were to take the severance earned to date immediately as a cash payment, continue to defer payment until retirement or voluntary departure, or select a combination of the two options. The curtailment loss in the current year of $46,407 is the additional cost to FCAC as a result of curtailing this plan. The curtailment loss represents the difference between the present value of the obligation if all employees deferred payment until retirement and the present value of the total expected cash settlement. The current portion of the accrued benefit obligation includes the expected payment to those employees who will choose an immediate payment.

Effective September 30, 2011, FCAC modified its severance plan for Executive-level employees. All Executive level employees ceased accumulating benefits under the severance plan. Employees within this group were given the same three options with respect to the benefits accumulated under this plan.

Sensitivity analysis

The discount rate used to estimate the present value of the severance benefit obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate would have had the following effects for 2013.

Change in discount rate of 1.0%	Increase	Decrease
Accrued benefit obligation	$ (19,706)	$ 23,970

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another which may magnify or counteract the sensitivities.

b) Other long-term benefits

i. Sick leave

Information about FCAC's sick leave plan is presented in the table below.

	March 31, 2013	March 31, 2012
Accrued Benefit Obligation, beginning of the period	**$ 235,950**	**$ 93,333**
Current service cost	39,892	16,396
Interest cost	10,305	3,249
Benefits paid	(16,507)	(71,240)
Actuarial loss	56,109	194,212
Accrued Benefit Obligation, end of the period[1]	**$ 325,749**	**$ 235,950**
Net Benefit Plan Expense		
Current service cost	39,892	16,396
Interest cost	10,305	3,249
Actuarial loss	56,109	194,212
Benefit Expense	**$ 106,306**	**$ 213,857**

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 5(i) to the Financial Statements. Amounts collected in excess of benefits paid are presented in the Statement of Financial Position under the heading of Cash Entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Actuarial assumptions are reviewed at each valuation date. Cumulative actuarial losses recorded in income since April 1, 2010, the date of FCAC's transition to IFRS, are $261,575 (2012: $205,466).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 3.96% (2012 – 4.13%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2013, is an annual economic increase of 2.0% for the plan years 2014 and 2015 (2012: 1.5% for 2013 and 2.0% for 2014). Thereafter, an annual economic increase of 2.0% is assumed (2012: 1.5%). The average remaining service period of active employees covered by the benefit plan is 16 years (2012: 14 years).

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

FCAC has adopted the following disclosure requirements prospectively from the date of transition to IFRS.

Amounts for the current and previous three periods are as follows:

Employee Benefits—Sick Leave	Accrued benefit obligation	Actuarial losses recognized during the period
March 31, 2013	$ 325,749	$ 56,109
March 31, 2012	235,950	194,212
March 31, 2011	93,333	11,254
April 1, 2010	70,211	–

Sensitivity Analysis

The discount rate and sick leave usage rate used to estimate the present value of the sick leave obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate or the sick leave usage rate would have had the following effects for 2013.

	Increase	Decrease
Change in discount rate of 1.0%		
Accrued benefit obligation	$ (35,014)	$ 42,402
Change in usage rate of 1.0%	Increase	Decrease
Accrued benefit obligation	$ 13,573	$ (13,573)

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another which may magnify or counteract the sensitivities.

12. Administrative monetary penalties

Administrative monetary penalties levied by FCAC are remitted to the Consolidated Revenue Fund. The funds are not available for use by FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

In the year ended March 31, 2013, FCAC levied $280,000 (2012: $212,500) in administrative monetary penalties. The March 31, 2013, balance includes $5,000 of fees and costs reimbursed by a financial entity that had appealed an administrative monetary penalty. The appeal was not successful.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

13. Operating lease arrangements

Minimum lease payments under operating leases recognized as an expense during the year were $1,371,374 (2012: $1,326,817).

FCAC has entered into operating lease agreements for office space and office equipment and contracts for services. These leases have an average life of between two and five years with no renewal option included in the contracts. There are no restrictions placed upon FCAC when entering into these leases. The minimum aggregate annual payments for future fiscal years are as follows:

	2013	2012
Within one year	$ 1,406,708	$ 1,194,551
After one year but not more than five years	2,527,342	1,842,112
More than five years	–	–
Total	**$ 3,934,050**	**$ 3,036,663**

14. Human resources expense

	March 31, 2013	March 31, 2012
Wages and salaries	$ 6,231,277	$ 5,422,582
Other benefits	1,029,513	1,120,605
Post-employment benefits other than severance	727,261	695,264
Severance benefits	205,153	193,845
Other personnel costs	46,525	140,550
Total Human Resources Expense	**$ 8,239,729**	**$ 7,572,846**

15. Fair value

Due to their short-term nature, the carrying values of FCAC's financial instruments approximate their fair values.

16. Financial risk management

FCAC's financial liabilities include Trade and Other Payables, and Unearned Assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include Cash Entitlement, Trade Receivables and Other Receivables.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when expenses are denominated in a currency other than the Canadian dollar).

FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact on revenue since all billings are done in Canadian dollars.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rate as determined by the Department of Finance Canada. FCAC attempts to reduce the borrowings necessary by effectively forecasting its required cash flows from assessments from financial entities. FCAC is not authorized to enter into any arrangements in order to reduce its exposure to interest rate risk.

The table below demonstrates the sensitivity of FCAC's operating expenses to a 1% fluctuation in market interest rates, with all other variables held constant.

	Fluctuation in Interest Rate	Effect on Expenses
March 31, 2013	+1%	$ 33,178
	−1%	(33,178)
March 31, 2012	+1%	$ 46,247
	−1%	(46,247)

c) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2013, is $461,749 (2012: $304,167), which is equal to the carrying value of its Trade Receivables and Other Receivables.

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

All federally regulated financial entities are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty's not meeting its obligations is recorded in the year incurred and collected in the following year, as outlined in the *Financial Consumer Agency of Canada Act*. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

d) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with current and future financial liabilities. FCAC's objective is to maintain sufficient Cash Entitlement through collection of assessments and fees in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments and fees to be collected from federally regulated financial entities.

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash Entitlement
- Borrowings from the Consolidated Revenue Fund

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2013, and March 31, 2012, based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in instalments, each instalment is allocated to the earliest period in which FCAC can be required to pay.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2013 Total
Trade and Other Payables	$ 306,953	$ 1,365,757	$ 302,800	$ –	$ –	$ 1,975,510
Unearned Assessments	–	–	377,039	–	–	377,039
Total	**$ 306,953**	**$ 1,365,757**	**$ 679,839**	**$ –**	**$ –**	**$ 2,352,549**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2012 Total
Trade and Other Payables	$ 311,933	$ 679,857	$ 304,290	$ –	$ –	$ 1,296,080
Unearned Assessments	–	–	597,346	–	–	597,346
Total	**$ 311,933**	**$ 679,857**	**$ 901,636**	**$ –**	**$ –**	**$ 1,893,426**

Notes to the Financial Statements

For the year ended March 31, 2013

(in Canadian dollars)

Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

By December 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the *Financial Consumer Agency of Canada Act* and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment methodology of payment card network operators. Interim assessments are also possible. To temporarily fund expenses until entities are assessed, before March 31 of each year the Agency must seek Ministerial authority to borrow from the Consolidated Revenue Fund for the next fiscal year, up to a predetermined limit. The authority to borrow from the Consolidated Revenue Fund is granted under section 13 of the *Financial Consumer Agency of Canada Act*. For the year ended March 31, 2013, the Minister has approved up to $10,000,000 (2012: $10,000,000). All amounts borrowed must be repaid within one year. The Agency pays interest on the funds borrowed as described under "Interest rate risk."

As at March 31, 2013, FCAC used nil (2012: nil) of this facility.

Refer to Note 1 for further information on FCAC's authority.

The liquidity of FCAC's financial assets is outlined in Note 7, "Trade and other receivables."

17. Government funding

Effective 2007–08, FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act. The funding is to support efforts to improve financial literacy in Canada. During the year ended March 31, 2013, FCAC received an appropriation of $2,000,000 (2012: $1,647,240).

18. Deficiency

Accumulated Deficit—$46,533 of Accumulated Deficit was created as part of FCAC's transition to IFRS from Canadian generally accepted accounting principles on April 1, 2010. This balance was reduced by $32,564 as a result of operations during the year ended March 31, 2011, under IFRS. The balance has not changed since the transition to IFRS.

Capital Management—FCAC includes its Accumulated Deficit entitled "Deficiency" in its definition of capital. FCAC is prohibited from issuing its own capital or its own debt to meet any capital requirements. FCAC operates on a cost recovery basis. Its objective when managing capital is to closely manage actual costs to those estimated and communicated to its paying stakeholders. Any operating shortfall or excess is factored into the assessments and fees charged to regulated entities in the following year. FCAC fully recovered all of its costs incurred in the year.

FCAC is not subject to any externally imposed capital requirement.

FCAC did not change its capital management objectives, policies or processes during the year ended March 31, 2013.

Annex to the Statement of Management Responsibility including Internal Control over Financial Reporting (Unaudited)

Fiscal Year 2012–2013

1. Introduction

In support of an effective system of internal control, the Financial Consumer Agency of Canada (FCAC) annually assesses the performance of its financial controls to ensure:

- financial arrangements or contracts are entered into only when sufficient funding is available
- payment for goods and services are made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied
- payments have been properly authorized.

FCAC will leverage the results of periodic Core Control Audits performed by the Office of the Comptroller General in fulfilling its oversight activities and executing its monitoring action plan.

2. Assessment results during fiscal year 2012–2013

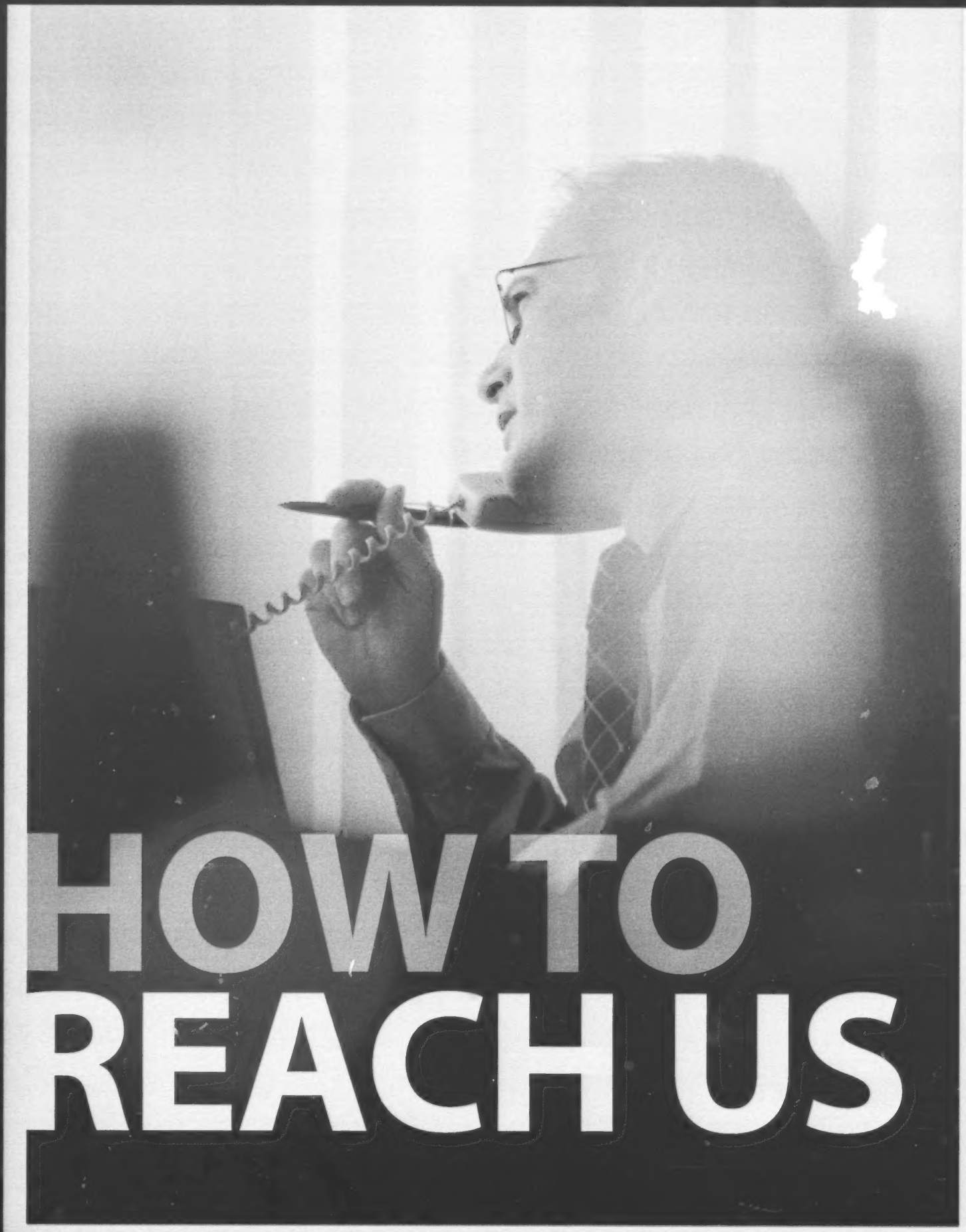
In the current year, FCAC completed the design and operating effectiveness testing of the financial statements close and reporting process.

FCAC has designed an adequate system of internal controls to accurately recognize, calculate, authorize and disclose payables and commitments to close its quarterly and year-end financial statements. Action items required to remedy some minor gaps have been completed.

3. Assessment Plan

During 2012–2013, FCAC has continued to make significant progress in assessing and improving its key controls.

Building on progress to date, FCAC is positioned to complete the full assessment of its system of Internal Controls over Financial Reporting (ICFR) in 2013–2014. FCAC will leverage the Office of the Comptroller General's (OCG) Core Control Audits in applying an ongoing monitoring plan to reassess control performance on a risk basis across all areas beginning in 2014–15.



HOW TO REACH US

HOW TO REACH US

We welcome your questions and feedback, and offer a number of ways to connect with us.

Website	fcac.gc.ca
Telephone (Consumer Services Centre)	
Toll-free	1-866-461-3222
From the Ottawa area or from outside Canada	613-996-5454
TTY (for persons with hearing impairment)	
Toll-free	1-866-914-6097
From the Ottawa area or from outside Canada	613-947-7771
Email	info@fcac.gc.ca
Fax	
Toll-free	1-866-814-2224
From the Ottawa area or from outside Canada	613-941-1436
Twitter	@FCACan
YouTube	FCACan / ACFCan
Facebook	facebook.com/FCACan
Postal address	Financial Consumer Agency of Canada Enterprise Building 427 Laurier Avenue West Ottawa, Ontario K1R 1B9

Catalogue No. FC1-2013E-PDF
ISBN: 1706-0532

Financial Consumer Agency of Canada
Agence de la consommation en matière financière du Canada

Enterprise Building
427 Laurier Avenue West
Ottawa, Ontario K1R 1B9

1-866-461-3222
fcac.gc.ca